

First Financing for Development review forum fails to deliver meaningful outcomes

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The inaugural UN Economic and Social Council (ECOSOC) forum on Financing for Development (FfD) follow-up witnessed a dismal performance, dashing the hopes of developing countries and global civil society for a substantial and action-oriented intergovernmentally agreed outcome that lays the foundation of an effective review process and implementation of FfD outcomes and means of implementation of the 2030 Agenda for Sustainable Development.

The forum, which was mandated by the Addis Ababa Action Agenda of the third International FfD Conference held in 2015, was held at the UN headquarters in New York on 18-20 April. It was chaired by ECOSOC President Oh Joon. The co-facilitators were Ambassador Drobnjak, the Permanent Representative of Croatia, and Ambassador Zinsou, the Permanent Representative of Benin.

The FfD forum was partly informed by the first report of the Inter-agency Task Force on Financing for Development, which largely limited itself to identifying gaps and processes. Although the forum was mandated to have up to five days of meeting annually, the important inaugural meeting was limited to just three days.

(The UN Secretary-General had meanwhile, on 22 April, convened a summit-level signing ceremony of the Paris Agreement under the UN Framework Convention on Climate Change that eclipsed the FfD forum in terms of public attention.)

The forum included the special high-level meeting of ECOSOC with the Bretton Woods Institutions, the World Trade Organization and the UN Conference on Trade and Development (UNCTAD) on the first day.

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The discussion through the rest of the forum clearly did not play to the officially agreed theme of the forum, which was “Financing for sustainable development: follow-up to the Addis Ababa Action Agenda”. According to its mandate, the forum was to “address the follow-up and review of the Financing for Development outcomes and the means of implementation of the 2030 Agenda for Sustainable Development”, with the modalities of participation the same as those utilized at the International FfD Conferences.

But in spite of continued efforts by the developing countries, as articulated by the Group of 77 and China, to get something of substance into the agreed outcome document, the persistent refusal of developed countries to include content already agreed upon in the Addis Ababa outcome document on official development assistance (ODA) and capacity building, among others, made it impossible to include anything useful in terms of either substance or process. The developed countries’ resistance to an outcome document with any mandated action or recognition and acknowledgment of existing commitments made it clear that the problem was not over the nitty-gritty that was the subject of wrangling in the run-up to and during the forum. Rather, it reflected an effort to completely disarm and render into nothing the review forum itself. This is consistent with the unwillingness demonstrated between 2012-14 by major developed countries to hold a third International FfD Conference.

The hard fight over an agreed outcome

The informal negotiations leading up to the FfD forum started on 23 March and continued on 6 April and then again every day from 14 April. As the forum opened on 18 April, informal negotiations took place in parallel with the official proceedings until the afternoon of the final day (20 April).

The last official draft document was dated 13 April though several informal iterations were

the basis of the successive rounds of informal negotiations.

[This briefing reports on the informal negotiations based on inputs from observers and other sources who talked to the Third World Network (TWN) about the negotiations.]

According to sources, the informal negotiations found it impossible to reach consensus on several of the 15 paragraphs that had been discussed since 15 April. The instability of the informal negotiations was perhaps reflected in the length of the document, which fluctuated from 17 paragraphs on 30 March to 15 in the 15 April version. The last informal draft that was worked on through the informal negotiations was the seventh version, which was released on 18 April with 18 paragraphs. The final outcome document ended up having only four paragraphs.

The G77 and China (represented by Thailand) had seven red lines at the start of the negotiations, including capacity development (paragraph 5, informal draft dated 18 April); countries under foreign occupation (this never got into the draft); mention of ODA commitments in paragraph 9 (informal draft dated 18 April); reporting mechanism and institutionalized system of the Global Infrastructure Forum (paragraph 12d, informal draft dated 18 April); mention of UNCTAD and the Doha Development Round in the paragraph on trade (paragraph 10, draft dated 13 April; paragraph 15, informal draft dated 18 April); policy space (paragraph 8, informal draft dated 18 April); and illicit financial flows (paragraph 11, informal draft dated 18 April).

(The last official draft, dated 13 April, is so far removed from the actual final negotiations that this article draws language from the informal draft dated 18 April, on which the final negotiations were reportedly based.)

Global Infrastructure Forum

Paragraph 12 (draft dated 18 April) and the earlier paragraph 9 in the 15 April version, on welcoming specific actions outlined in the Addis Ababa Action Agenda, included section (d) that lauds the recent launch of the Global Infrastructure Forum (GIF).

The proposed paragraph 12(d) in the 18 April draft read: “the launch of the Global Infrastructure Forum (GIF), led by the multilateral development banks (MDBs), on 16 April 2016 in Washington, D.C., and appreciate the inputs to this Forum”.

The G77 and China’s proposal was to be more cautious on the GIF, and in particular add a reference to a reporting mechanism and an institutionalized system of the GIF, which was a red line for the Group. The language they suggested was: “The outcome of the Global Infrastructure Forum will report to the FfD forum, and the responsibility for hosting the Forum will rotate among the MDBs.” The Group wanted reference to the inputs by the GIF deleted as well.

The US, on the other hand, wanted the reference to inputs by the GIF to the forum specifically mentioned and opposed the G77 and China proposal on adding language on the GIF’s reporting mechanism.

By the week of the FfD forum, the G77 and China showed willingness to drop the reference to the reporting mechanism.

Capacity development

The G77 and China wanted specific reference to the UN Industrial Development Organization (UNIDO) on capacity development in paragraph 5 of the 18 April text. Emphasis on UNIDO stems from a renewed interest among many developing countries in the “inclusive and sustainable industrialization” language in both paragraph 15 of the Addis Ababa Action Agenda, which references the body, and Sustainable Development Goal 9 on industrialization and infrastructure.

Paragraph 5 of the 18 April text read: “[We recognize that capacity development will be integral to achieving the 2030 sustainable development agenda. In this regard, we reiterate the call for enhanced international support to reinforce national efforts in capacity-building.]”

However, facing stiff opposition from the developed countries, the Group was willing to drop the proposed reference.

Trade

Paragraph 15 (18 April version) on trade was also contentious until the end. The initial configuration was just around recognizing the outcome of the 10th World Trade Organization (WTO) Ministerial Conference, held in Nairobi in December 2015. The language in this paragraph in all the versions circulated remained: “[We also welcome the ‘Nairobi Package’, adopted at the WTO’s 10th Ministerial Conference (Nairobi, Kenya, 15-19 December 2015), and look forward to its prompt and effective implementation.]”

However, according to sources, the G77 and China wanted two issues added to this paragraph: mention of the Doha Development Agenda (DDA) and of UNCTAD’s 14th Meeting, to be held in Nairobi in July 2016. According to observers, the text they had proposed prior to the 15 April draft was as follows: “We call on WTO members to redouble their efforts to promptly conclude the negotiations on the Doha Development Agenda and reiterate that development concerns form an integral part of the Doha Development Agenda. We look forward to the fourteenth session of the United Nations Conference on Trade and Development (UNCTAD XIV) to be held in Nairobi, 17-22 July 2016.”

The G77 and China also wanted the deletion of the language “We call for an early conclusion of the [Doha Round of] [ongoing] multilateral trade negotiations”.

(It is to be noted that at the WTO there is an ongoing conflict over developed countries' push to conclude the DDA and bring in new issues but without having fulfilled the DDA's development mandate.)

According to sources present during the negotiations, the European Union, the US, Japan and Australia, among other developed countries, refused any additional reference to the DDA and in particular the language suggested by the G77 and China, and asked that the paragraph be dropped if no consensus could be found on the DDA.

TWN learnt that during the forum negotiations the G77 and China had agreed to drop references to UNCTAD in the trade paragraph but were insistent on retaining the language on the DDA to reference the language on the Nairobi Package.

Climate change

Paragraph 14 (18 April draft) on climate change was a major bone of contention on several grounds and this was bracketed (indicating lack of consensus) until almost the end.

The paragraph read: "[We welcome the Paris Agreement on climate change and look forward to its signing ceremony on 22 April 2016.]"

Earlier France had proposed the addition of the word "historic" before "Paris Agreement": "We welcome the (historic) Paris Agreement on climate change and look forward to its signing ceremony on 22 April 2016."

The EU had proposed the addition of a line at the end: "We need to ensure that our development efforts enhance resilience in the face of these climate related threats."

The EU then suggested new language on the Green Climate Fund (GCF) which read: "We welcome the decision of the Board of the Green Climate Fund (GCF), taken on 6 November 2015, (to approve GCF funding

of USD 168 million to support aid projects worth a total of 624 million)."

The G77 and China rejected the proposal to include "historic" but accepted the addition of language referencing the decision of the GCF Board.

Over the course of the negotiations, the EU proposed an additional paragraph that read: "Environmental degradation, climate change and other environmental risks threaten to undermine past successes and future prospects. We need to ensure that our development efforts enhance resilience in the face of these threats. We recognize that well-designed actions can produce multiple local and global benefits, including those relative to climate change."

The G77 and China had concerns with this language and did not accept it. However, this was included in the 18 April version of the draft text in brackets under paragraph 10.

Towards the end of the negotiations, the G77 and China showed considerable flexibility on language related to paragraph 14 and were willing to agree to the paragraph with the proposed additional language from France on "historic" and from the EU on resilience and the GCF, provided their proposal on ODA (see below) was agreed to.

Illicit financial flows

Illicit financial flows (IFFs) have been a contentious issue between the developed and developing countries for some time now. In Addis Ababa, this divide was clear not only in the mention of IFFs but also in the single most heated issue of the conference, which was the creation of an intergovernmental tax body with the universal membership of the UN, aimed at tackling IFFs as one of its key objectives. The proposal by the developing countries for the tax body was finally rejected by the developed countries in Addis Ababa.

During the informal negotiations of the FfD forum, developing countries proposed as

a key red line a specific reference to IFFs. This was inserted in brackets in the 16 April version of the draft text. It was no surprise that this discussion was probably one of the most divided and saw several proposals moving back and forth.

According to information received by TWN, the additional language (in italics below) suggested by the G77 and China in the 16 April draft was aligned to paragraph 24 of the Addis Ababa Action Agenda, which recognized the High Level Panel on Illicit Financial Flows from Africa. It read: “[We remain committed to promote and increase transparency in financial flows in all aspects. To help combat illicit flows, we invite the International Monetary Fund (IMF), the World Bank and the United Nations to assist both source and destination countries. We urge countries to work together in the fight against illicit financial flows *in order to work towards the global framework to tackling illicit financial flows.*]”

This proposal was rejected by Japan and the US unless references were made to good governance and combating corruption.

The key opposition to the above proposal was by the US. It wanted to retain only paragraph 18 of the Addis Ababa Action Agenda, which mentions IFFs in the same sentence as “good governance, rule of law ... and measures to combat corruption”. Arguments were made to the effect that IFFs cannot be mentioned without also mentioning corruption and good governance.

Later the G77 and China suggested specific language that read: “We remain committed to promote and increase transparency in financial flows in all aspects. To help combat illicit flows, we urge countries to work together in the fight against illicit financial flows.” The Group was willing to drop the language on the global framework to tackle illicit financial flows.

Subsequently the US reportedly proposed compromise language with a combination of

paragraphs 18 and 24 from the Addis Ababa Action Agenda that read: “[Good governance, rule of law, human rights, fundamental freedoms, equal access to fair justice systems, and measures to combat corruption and curb illicit financial flows will be integral to our efforts. We remain committed to promote and increase transparency in financial flows in all aspects. To help combat illicit flows, we invite the International Monetary Fund (IMF), the World Bank and the United Nations to assist both source and destination countries.]” (18 April draft text)

This language was rejected by the G77 and China. The discussion on rule of law had been contentious during the negotiations on the 2030 Agenda for Sustainable Development. Notably, the language on IFFs was also weaker than in the 16 April draft formulation. Up till the end of the forum, there was no clear agreement on this issue.

Policy space

Paragraph 8 in the 15 April draft read: “[We reassert our firm intention that sustainable development commitments not be put at risk and that support for the implementation of the Sustainable Development Goals be maintained. We further commit to pursuing policy coherence and an enabling environment for sustainable development at all levels and by all actors.]”

The G77 and China spokesperson sought an explicit reference to policy space in this paragraph as a red line, on the grounds that policy space has always been a key developing-country issue in finance and development and that he (the negotiator) did not have any mandate to manoeuvre without the mention of language on policy space.

According to observers, the US and Japan had earlier rejected references to policy space and proposed deletion of the entire paragraph. They later agreed to keep the paragraph (unchanged) but only if references to ODA were withdrawn from the document. The EU

had agreed to the proposed language without the added reference to policy space.

Even though national policy space is agreed language in paragraph 9 of the Addis Ababa Action Agenda, the G77 and China signalled its willingness to drop the reference to policy space towards the end of the negotiations.

Official development assistance

According to sources, ODA was the subject of a bitter fight for the G77 and China that in large part determined the meaningless conclusion of the FfD forum.

Developing countries stressed that ODA language was a “make or break” red line. They had suggested paragraph 9 (18 April draft) specifically on ODA, which remained bracketed until the end. This read: “[We reiterate that the fulfilment of all ODA commitments remains crucial and ODA providers reaffirm their respective ODA commitments, and urge all those that have not met their targets to make additional concrete efforts. We will continue our efforts to reverse the declining trend of ODA to LDCs [least developed countries], many of whom continue to rely on concessional finance to meet sustainable development needs.]”

The developed countries including Australia, the EU, Japan and Norway, however, strongly opposed language on ODA. In particular, they said it amounted to cherry picking. If ODA was to be mentioned, they wanted other resources, for example, domestic resource mobilization, to be mentioned as well.

The G77 and China responded by saying it was not possible to eradicate poverty without ODA, particularly for LDCs and countries in special situations. They proposed using “international public finance” instead of ODA and reframing the paragraph accordingly. However, this proposal was also rejected by the developed countries.

On 20 April, the G77 and China flagged ODA as their red line and argued that there was

no point in moving forward on negotiations for a substantive outcome document if ODA language was not acceptable. They then agreed to the original developed-country position that negotiations for a substantive document should be abandoned and a “bare bones” document, with paragraphs of mostly decorum and logistical nature, be agreed to.

According to an observer, many developing countries felt that if a compromise on the most essential issue of ODA could not be reached, it was better to have no document than to have an outcome document that was an even further regression from the Addis Ababa Action Agenda.

(It is worth noting that the Addis Ababa Action Agenda saw the G77 and China compromise on several key issues of immense interest to them, including an intergovernmental tax body and increased ODA commitments, among others.)

The shift in stance, or not quite

Interestingly, many developed countries, which had earlier made their distaste for a substantive outcome quite clear, appeared to have changed their position and were now seemingly arguing for a substantive outcome. This was a surprising but not very convincing turnaround from their earlier stance, including their insistence on outright deletion of several paragraphs when there was no immediate consensus, rather than an attempt to find compromise language.

According to some observers in the room, the G77 and China responded by arguing that they had been the only group asking for a substantive document while everyone was asking for just a few paragraphs or half a page. Now that they (the G77 and China) were giving them what they had always wanted, they were claiming that this was not acceptable. The Group reportedly reminded the meeting that some country representatives had walked out of the room when they had tried to have substantive discussions earlier.

The G77 and China also argued that they had been extremely flexible on many issues but all their attempts had been rejected. They retained only a few issues for consideration but even these were being rejected. So they were giving what the others had always asked for, which was a short procedural outcome. The Group suggested that they come up with a more substantive document in the future but work on a bare-bones skeleton document (option 4 in a set of four options outlined by the forum co-facilitator from Croatia) at this stage.

With the G77 and China agreeing to the bare-bones document that had been advocated by the developed countries, the fate of the outcome document was virtually sealed. The co-facilitator from Benin tried one last time to restore the substantive outcome document, but this was again not acceptable to the member states.

The final agreed outcome document

The four paragraphs that survived the informal negotiations were paragraphs 1, 2, 12(b) and 18 of the 18 April draft. The final draft of the outcome document (20 April) contains the following four paragraphs:

“1. We, ministers and high representatives, gathered in New York at UN Headquarters from 18 to 20 April 2016 for the inaugural ECOSOC Forum on Financing for Development Follow-up, affirm our strong commitment to the full and timely implementation of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which builds on the Monterrey Consensus and Doha Declaration.

“2. We recognize that the Addis Ababa Action Agenda provides a global framework for financing sustainable development, and is an integral part of the 2030 Agenda for Sustainable Development, supports and complements it and helps to contextualize its means of implementation targets with concrete

policies and actions. These relate to domestic public resources, domestic and international private business and finance, international development cooperation, international trade as an engine for development, debt and debt sustainability, addressing systemic issues and science, technology, innovation and capacity-building, and data, monitoring and follow-up.

“3. We welcome the proposed three-pronged approach of the 2016 Inter-agency Task Force (IATF) report, and look forward to future IATF reports which contain a discussion of the global context and its implications for the follow-up process; an overview of each chapter of the Addis Ababa Action Agenda highlighting synergies between the chapters of the Addis Ababa Action Agenda, including the pertinent updated data and issues, while covering the broader set of commitments and action items in an on-line annex, and analyses of thematic issues.

“4. We look forward to future sessions of the ECOSOC Forum on Financing for Development Follow-up, and underline the importance of deciding, well in advance, on its dates, themes and other organizational matters.”

The FfD review forum outcome is to feed into the overall follow-up and review of the implementation of the 2030 Agenda for Sustainable Development at the High-level Political Forum on Sustainable Development (HLPF), the first meeting (after the adoption of the 2030 Agenda) of which is supposed to be held in July this year.

The stiff resistance from the developed countries has rendered the so-called “intergovernmentally agreed” outcome a meaningless document in terms of any clear content, without having outlined even a structure or process of reviewing the FfD process and the means of implementation for the 2030 Agenda. The Chair’s Summary that will accompany the intergovernmentally agreed document is due to be released soon but, while it is an important document by

itself, will not have the same weight as the negotiated outcome.

However, a continuous and committed engagement by member states in this review process following the forum can hopefully bring more clarity to both the process and substance. The G77 and China as well as global civil society seem to be hopeful that 2017 will see more substance or forward steps, especially as the 2030 Agenda, with its Sustainable Development Goals, proceeds.

It is clear that by next year, this forum needs to be able to contribute meaningfully to the review of FfD and means of implementation deliverables. Being the key structural policy dimensions in the UN's new development paradigm, these two areas are integral to the realization of the 2030 Agenda.

Meeting the ambitious 2030 Agenda as well as new and emerging development challenges will require a deeper effort towards intergovernmental cooperation and progressive compromise in order to activate the potential of the financial and non-financial instruments that developed countries in particular have already committed to at the three International FfD Conferences and in the 2030 Agenda itself, and subjecting these efforts to serious scrutiny at the intergovernmentally agreed FfD review forum.

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