

Developed countries oppose proposals for new and additional funding

Rio de Janeiro, 7 June (Meena Raman) – Developed countries are firmly opposed to proposals by developing countries calling for the provision of new and additional financial resources to support the various commitments made in the outcomes of the Rio+20 Conference, including the setting up of a sustainable development fund.

Various proposals by developing countries calling on developed countries to provide for new and additional resources, to increase official development assistance (ODA), to provide dedicated resources through international financial institutions (IFIs) and to increase resources to the United Nations development system were all met with stiff resistance from developed countries, including the United States, Canada and the European Union during the informal negotiations in New York (held from 26 May to 2 June).

Pakistan, speaking for the G77 and China expressed frustration in response to the stance of developed countries, saying that there was no point in discussing further and no scope for further work. In a fit of exasperation, the G77 said it was better to “eliminate the entire finance chapter itself”, given the response of developed countries.

Discussions however did continue, indicating the challenges that lie ahead in Rio de Janeiro next week when negotiations resume.

New and additional resources

The G77 and China introduced the following texts during the New York informal negotiations on the outcome document for the Rio+20 Conference:

“We recognize that for significant international financing to give strong support to the various commitments made in the outcomes of Rio+20, the developed countries agreed to provide new and additional resources exceeding US 30 billion per year from 2013-17 to the developing countries in their efforts toward promotion of sustainable development.” (Paragraph Finance 1 ter of the outcome document)

“We also pledge that for a more sustained and longer-term financial support we agree to enhance the mobilization to US 100 billion per year from 2018 onwards and work towards setting up a financial mechanism, including a possible sustainable development fund.” (Paragraph Finance 1 quat of the document).

In explaining its proposal, the G77 said that there was need for clarity on the resource mobilisation needed as many studies have shown that to undertake sustainable development efforts in developing countries, it could be around 2% of world GDP per year. There is also need for a more definitive resource mobilisation framework and to have modalities on how this can be achieved as part of the collective effort.

In another intervention, the G77 said that to undertake “green economy policies” in developing countries, the UN system has estimated that about US\$ 2 trillion a year was needed.

In response, the EU said that the Rio Conference is not a pledge conference. In the context of the SDGs and the ‘green economy’, there is need to see how the process unfolds and like the MDGs, resources were mobilised.

Canada said that in the current economic context, many countries are not able to even provide resources domestically, let alone new and additional resources when they are undergoing national structural adjustment and fiscal consolidation. It could not commit to new and additional resources, much less, astronomical amounts. It wanted the G77 proposal deleted.

The US supported the Canadian call for deletion of the G77 proposal. On the new commitments, it said it was not clear where the resources were going to come from for supporting sustainable development. It said resources were in the private sector.

In response, the G77 said that if there was a resource mobilisation framework for the MDGs, it could have worked better. It was important to attach figures so there could be resource mobilisation for the SDGs.

New Zealand said that having a specific amount could be problematic but there could be language that the mobilisation was from all sources. It also wanted deletion of the proposal by the G77.

Canada said that there was no consensus for new and additional resources.

Apart from wanting a deletion of the G77 proposal for new and additional resources, developed countries were also opposed to references in the Co-Chairs' text of 22 May (in paragraph Finance 1) that recognised the "... crucial importance of increases in the provision of finance for sustainable development". Canada, the US and New Zealand wanted the words "increases in the provision" deleted. The US and Canada said that Rio is not a "pledging moment".

No to raise efforts to meet ODA target of 0.7% of GNP

The same was the case in reference to additional efforts towards the target of 0.7% as ODA for developing countries. In paragraph Finance 2, the Co-chairs' text stated: "We urge...those developed countries that have not yet done so to make additional concrete efforts towards the target of 0.7 per cent of gross national product for official development assistance to developing countries ..." Canada and the US want to delete this as they said they have never agreed to this target.

[Paragraph 85 of the 2002 Johannesburg Plan of Implementation states: "... To build support for official development assistance, we will cooperate to further improve policies and development strategies, both nationally and internationally, to enhance aid effectiveness, with actions to: (a) Make available the increased commitments in official development assistance announced by several developed countries at the International Conference on Financing for Development. *Urge the developed countries that have not done so to make concrete efforts towards the target of 0.7 per cent of gross national product as official development assistance to developing countries ...*" (emphasis added)]

No to provision of resources through the IFIs

The Co-chairs' text in paragraph Finance 4 provided for the "provision of financial resources, including through dedicated facilities within the international financial institutions (IFIs) for the promotion of sustainable development and poverty eradication in developing countries" and this was opposed to by the EU and the US which wanted its deletion.

The US said that some multilateral development banks had no such mandate. Echoing similar sentiments, Canada said that IFIs had their own mandates and it had concerns over directing them.

Pushing responsibility to private sector and the South

There is also an attempt to significantly water down the role of public finance in financial transfers to developing countries and to shift this to private financing or even to South-South financing.

A clear attempt at this is the US proposal to add in paragraph Finance 5 that "We recognise that the mobilisation of financial resources for development from all sources...." And that "these sources include FDI, domestic investment, domestic revenue generation, trade, private charities, foundations and remittances." There is even no mention of public sector funding. This proposal by the US was supported by Canada.

In the section on 'Means of Implementation' in paragraph 4, the US said that the role of South-South finance is important for the South. The US and Canada proposed adding: "We stress that all forms of development cooperation are complementary and share common goals and principles." This is an attempt to equate South-South cooperation with North-South finance and technology transfer, even giving South-South cooperation the same status, goals and principles as North-South aid and technology transfer commitments.

Several developed countries including the US, Canada and Norway stressed the need to look at the "new global reality", alluding to the rise of "middle-income countries" in the developing world. The US, supported by Japan, introduced new text reflecting what they see as the "new global reality."

The US proposal in paragraph Finance 2 bis reads: "We stress that the aid architecture has significantly changed over the past 20 years. New aid providers and novel partnership approaches, which utilize new modalities of cooperation, have contributed to increasing the flow of resources. Further, the interplay of development assistance with private investment, trade and new development actors provides new opportunities for aid to leverage private resources flows. We reiterate our support for South-South cooperation, as well as triangular cooperation, which provides much needed additional resources to the implementation of development programmes and acknowledge the role played by middle-income developing countries as providers and recipients of development cooperation. We encourage developing countries in a position to do so to continue to make concrete efforts to increase and make more effective their South-South cooperation initiatives in accordance with the principles of aid effectiveness."

The G77, in response to Canada and the US, said that attempts were being made to change the paradigm of development cooperation and that this was not acceptable. South-South cooperation was only a

complement to North-South cooperation. Canada said that it was not trying to change the paradigm and that ODA was not the most important approach.

No to mechanisms for debt crisis prevention

In paragraph Finance 6 of the draft outcome document, which is on addressing the debt crisis and for enhancing international financial mechanisms for crisis prevention and resolution, the US and New Zealand want the whole paragraph deleted.

Paragraph Finance 6 of the Co-chairs' text reads: "... We will intensify our efforts to prevent debt crises by enhancing international financial mechanisms for crisis prevention and resolution, in cooperation with the private sector, and by finding solutions that are transparent and agreeable to all. We acknowledge the need to continue to address all relevant issues regarding external debt problems, including through the United Nations, and we will consider ways to explore enhanced approaches of sovereign debt restructuring mechanisms based on existing frameworks and principles, with broad creditors' and debtors' participation and ensuring comparable burden-sharing among creditors, with an important role for the Bretton Woods institutions."

Instead, the US, supported by New Zealand, just wants a reference to the UN resolution RES/66/189 paragraph 12 and 13) which relates to initiatives only for the heavily indebted poor countries.

No to increasing funding for UN

The Co-chairs' text in paragraph Finance 7 stressed "...the need for adequate funding for the operational activities of the United Nations development system as well as the need to make funding more predictable, effective and efficient as part of wider efforts to mobilize new, additional and predictable resources to achieve the objectives that we have set forth in this declaration..."

The G77 wanted the words "commit to increase the core resources" for the UN development system in the above paragraph. Both the proposals by the Co-chairs' and the G77 were opposed by the EU and the US who wanted the paragraph deleted.

Debate over innovative sources of finance

The Co-chairs in their text in paragraph Finance 1 had the following proposal: "...We further recognize a role that new partnerships and promising innovative sources of development finance can play in financing sustainable development and encourage their use..."

The G77 wanted deletion of this, as it did not know what "innovative sources of development finance" were. It was also unclear on how the resources would materialise through such sources. It said that "innovative sources of financing" had different

perceptions and it asked if countries would agree to a "financial transaction tax" (FTTs). The G77 could not support such unclear language.

Canada in response said that it could not agree with all types of "innovative sources" but there was a menu of elements that it could be comfortable with, which countries can individually pursue. The US said that there was potential to explore what these "innovative sources" are.

The US, supported by Canada, stressed the importance of domestic resource mobilisation. Taxation was one way to do it. It said that there were three legs for resource mobilisation, which were domestic, ODA and other forms of cooperation.

Controversy over 'aid-effectiveness' agenda

On references in the Co-chairs' text in paragraph Finance 3 to improve "aid-effectiveness" and "development effectiveness" by building on initiatives such as "...the High-level Forums on Aid Effectiveness, which produced the 2003 Rome Declaration on Aid Effectiveness, 2005 Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action, and 2011 Busan Partnership for Effective Development Co-operation..." the G77 wanted deletion of the entire paragraph.

The G77 acknowledged the need for effective use of ODA but it could not endorse all the initiatives referred to in the text. In response, the US said that one way out could be to just welcome "aid-effectiveness" and there was no need to endorse Busan etc. but could recognise them.

Debate over GEF reform

On proposals by the EU and New Zealand to welcome the "important reform processes that the GEF has carried out during recent years" and a call by the US for its further "improvement" (in Paragraph Finance 8), the G77, while recognising the achievements of the GEF, could not support the reference to the reform process being "important" or for it to be "welcomed".

The US challenged the G77 on why it could not welcome the "important reform processes". In response, the G77 said that it was not convinced that the reform process has been done in a way that was liked by developing countries, such as that of ensuring "direct access".

The US insisted that it was important to welcome the reform process and that it was no point having the paragraph if this could not be done. It said that improvements were being made for "direct access" with fiduciary standards being developed. The G77 said that the paragraph was an important one and suggested bracketing the word "welcome".