



## The Struggle to Shape the Agenda

*By Barbara Adams, Gretchen Luchsinger*

It is not surprising that the political battles have already become fierce in the concurrent negotiations for the Third International Conference on Financing for Development (FfD3) and the post-2015 development agenda with its Sustainable Development Goals (SDGs). At stake is who will shape the agenda—and how much real impact it will have.

What is the direction of the “transformation” that is now so frequently discussed in both talks? Are we headed towards a world of multistakeholder partnerships and the increasing outsourcing of public functions to private control, where those in positions of privilege can maintain their entitlements, at least until we fully breach planetary boundaries?

Or towards a world where we make decisions based foremost on the welfare of the majority of people and the planet? Where we embrace the distinction between primary duty bearers (governments) and rights holders (all people without exception), and where we recognize that some actors have more capacities and therefore responsibilities than others? And where patterns of consumption and production are rebalanced so that development reaches everyone and respects planetary boundaries, now and over the longer term?

One interesting indication of the potential power of the post-2015 agenda is that actors like the multilateral development banks (MDBs) are fighting hard to position themselves at the centre. Is that about keeping on top of the trillions that they recently estimated would be required to achieve the agenda? Or, digging a little deeper, about fears of eventual irrelevance, since the agenda’s sustainable development narrative—if taken seriously—diverges so thoroughly from the one pushed by the MDBs for many years? If sustainable, inclusive development is what we mean when we talk about a transformative agenda, who should really be implementing it?

### Who wants what?

The FfD3 session in mid-April talked about transformation, but that was not very apparent in early political moves. Rich countries regularly affirmed the importance of channeling more ODA to the least development countries—despite a declining trend in some regions in recent years. Were they motivated by the principle of tackling exclusion, or by a hard political calculation that this would split off a major chunk of the G77 bloc? And who could really blame the LDCs for responding in kind with a steady stream of specific demands, since their challenges are so stark on so many fronts and their options are so few.

Some of the BRICS countries have systematically pushed a progressive take on both FfD3 and post-2015. But they have other fields of play—like the G20. Less clear is what all of this might mean for the many smaller and mid-size middle-income developing countries, who regularly call attention to their set of issues, but who are looking at a future that will probably be squeezed by a falling ODA share on one hand, and on another, limited traction on many issues, from trade to illicit financial flows to debt burdens, critical to continued development—much less a version that is sustainable and inclusive. One civil society advocate pointed out that unless you believe the “fairy tale” of the 0.7 ODA commitment—promised for so many years and never met—so far, there is very little for developing countries in the FfD3 zero draft outcome document.

Meanwhile, behind the scenes, some rich countries were hard at work curbing challenges to political and economic configurations that mostly benefit them. Their activities are taking place partly through the FfD3 and post-2015 negotiations, but also through proxies such as the international financial institutions (IFIs). In some developing countries, finance ministries, having heard from IFI counterparts, are reportedly questioning foreign ministries on issues like whether or not the post-2015 agenda has too many goals, and why the whole enterprise can’t be boiled down to a streamlined emphasis on

poverty eradication and shared prosperity.

This may miss the point made by a civil society advocate at the FfD3 civil society hearings that unless development models change significantly to start with people and the planet instead of profits, prosperity will continue to drive poverty. At a joint session on FfD3 and post-2015, one of the post-2015 co-facilitators expressed astonishment that the G20 recently committed to 1,000 structural reform actions in two years. He suggested that in comparison, 17 goals and 169 targets over 15 years seemed quite doable, and if not, something is “clearly wrong.” He hoped not to hear about the number of goals and targets again.

### *Who’s in the agenda?*

Following the April FfD3 talks, the zero draft of the outcome document is now under review. It is revealing to look at who features most prominently in it so far, and to wonder if this foretells what’s ahead.

Who is singled out in its second section, on mobilizing the means to implement the post-2015 agenda? While governments are presumably there in the background as the architects of the agreement, and the “inviters” for others to “join us,” the first specifically mentioned actors are global funds, philanthropists, foundations and the private sector. These are followed by a reference to national and multilateral development banks. And then the business sector appears again as a critical driver of sustainable development. Governments (along with households and businesses, again) only appear in the second to last paragraph, in a reference to changing behaviours to achieve sustainable consumption and production patterns.

In the following section on domestic public finance, actors highlighted include the Extractive Industries Transparency Initiative (linking back to the World Bank), the Global Forum on Transparency and Exchange of Information for Tax Purposes (OECD), the OECD proper, the G20, the IMF, the World Bank, the Financial Stability Board (G20), and the Open Government Partnership (around 65 countries). Among references to the United Nations system, the most universal and democratic of all multilateral organizations, several are in conjunction with the World Bank and IMF.

The international public finance section features the Leading Group on Innovative Financing for Development (involving the OECD and MDBs, among others), multiple references to the MDBs and IFIs, and the World Bank’s Multilateral Investment Guarantee Agency. It devotes several paragraphs to the so-called vertical or single-issue funds, several of which link back to the World Bank or to private philanthropies such as the Gates Foundation, as well as a few tied to the UN or regional bodies.

And who weighs in on systemic issues? The IMF, the World Bank, the Financial Stability Board and the Basel Committee on Banking Supervision, with a nod to the ILO conventions for migrant workers, and to “UN forums” for international sustainable development commitments.

### *MDB angling—for relevance?*

The dominance of the multilateral development banks in the FfD3 zero draft is not surprising—at least from the perspective of the current power configuration, if not so much from the perspectives of global democracy and sustainable, inclusive development.

To position themselves in the FfD3 and post-2015 processes, the World Bank, all the big regional development banks and the IMF have come together on a joint statement on post-2015 financing for development. It sets forward the idea that financing the new agenda requires a shift from billions to trillions of dollars. The exercise suggests a couple of dimensions that may be a divergence from the past. Are the banks and their backers realizing that the bill has come due and needs to gradually be sold to electorates—as in, we really have come to a crisis point that really is going to cost a lot to fix? And/or: are the IFIs circling the wagons, as it were, because they feel their dominant position is at risk?

In the past, for example, the World Bank viewed its regional counterparts as somewhat distant cousins, easily overlooked outside Washington. But now on the horizon are recent moves by China and other big developing countries—and some rich countries as well—to create new multilateral development banks. This follows ongoing discontent with the old banks’ undemocratic governance structures, plus policy advice that in many cases would not be taken seriously without the money that comes with it. After years of advising market competition, are the traditional lenders finally worried about facing it themselves?

It seems the adjustment may take some time. The World Bank, at an April session with delegates to both the FfD3 and post-2015 processes, went on at length about how it is trying to be more responsive to country concerns, while also emphasizing that the MDBs have doubled investment to the private sector—which is not the primary concern in many countries. It also clearly outlined how the banks would be reporting on contributions to FfD3 and post-2015 through their individual governance structures, and not through any combined forum at the UN, even though those provide an equal voice for governments, and offer a greater chance of ensuring all policies and resources are fully consistent with the SDGs.

Further, much of the IMF and World Bank emphasis is on the money side of financing. What about how the “trillions” will be spent? Priorities of the IFIs, outlined in a recent press release, include strengthening domestic financial markets and deepening financial inclusion—but with no reference to sustainability.

### *Vertigo from vertical*

If governments endorsed the FfD3 zero draft tomorrow, proponents of the vertical funds would be pleased, given substantial space devoted to these on issues such as environment, health, education and food security. The funds were originally conceived as opportunities to fill funding gaps and devote focused attention to major issues. Yet they have led to a profusion of institutions and funding streams. In some cases, they operate on top of existing bodies, as when UN development agencies are used essentially to execute projects—and that in itself is in addition to whatever may already exist in a given country. If sustainable development is about integrating all dimensions of development, recognizing how interdependent they are, single-issue funds go in the opposite direction.

There are questions about how accountable they are to countries, since many draw from private finance, do not operate under a multilateral governance framework and are not bound by international norms. There have been consistent country reports of misalignment with national priorities. Poor countries, in particular, feel pressured to take the funds, even for programmes that may not be most relevant to them.

Health has been an area where the single-issue funds have claimed many achievements. And yet a telling moment came at the FfD3 civil society hearings in mid-April when an advocate from West Africa described Ebola as a failure of the global economic system. His point was that poor West Africa countries cannot establish the comprehensive health systems they need because they do not have the capacities or opportunities to develop fully functioning economies that provide sufficient resources for health care. Delivering a lot of vaccines or building some hospitals or mobilizing people around a certain disease—as some vertical funds do—only fills some gaps, for a while. It falls far short of upholding the right to health, which depends on access, for everyone, at any given point in time, to all treatments, all medicines, all medical skills and facilities, and so on.

Calls in some quarters for assigning a vertical fund to each of the Sustainable Development Goals suggest an odd direction—universality via fragmentation?

### *Outsourcing to businesses*

The private sector is so dominant in the FfD3 zero draft that some government representatives have referred to FfD3 being “outsourced” to businesses. What drives that emphasis? Is it about rich countries, in the wake of the global economic crisis, wanting to reduce expectations from their public purses? Is it about large businesses controlling governments, through electoral finance and lobbying, and hoping to tilt regulatory arrangements ever more in their favour? Is it the old assumption, unproven by consistent evidence, that compared to the public sector, business is more effective, efficient, innovative, responsive (as long as there is money to be made), etc.?

The section on private business and finance “acknowledges the role of private business activity, investment and innovation as major drivers of increased productivity, job creation, and economic growth, which provide people with the opportunity to overcome poverty and inequality.” Today’s unprecedented levels of private business activity, however, have run parallel to widening inequality around the world and the destruction of environmental resources.

The current business model is not built on the principles of sustainability and inclusion. It mostly does not operate within a social contract grounded in human rights. The zero draft’s references to social and environmental responsibility principles and to businesses assuming costs for externalities such as pollution will only go so far—likely not as far as the SDGs. For many businesses, the rewards of ignoring principles outside those related to profit, even in the face of regulation, are still very great.

Large business in particular are quite skillful in presenting a public image of progress that often fails to translate very far into actual practice, as has been obvious from the UN’s Global Compact, “welcomed” by the zero draft. And then there is the draft’s reference to working with international accounting standard-setting bodies to devise sustainable development accounting principles. This almost certainly refers to the International Accounting Standards Board, which is based in the US state of Delaware, a well-known corporate “secrecy” jurisdiction. Among other measures geared heavily to business interests, the board has rejected country-by-country reporting by transnational corporations, despite the obvious contributions this would make to fighting corruption and tax evasion.

Every section of the zero draft has at least one mention (often many) to engagement with the private sector: from unlocking the transformative potential of business, to upping private investment in agriculture, to encouraging new platforms for private infrastructure investment, to catalysing private invest-

ment with ODA, to increasing private climate finance, to involving businesses in FfD3 follow-up and monitoring.

This level of “partnership” verges in the direction of giving states and businesses some level of equivalency in the quest for sustainable, inclusive development. Yet states remain the primary duty bearers—they are responsible for the rights of their citizens, and they will be the ones signing off on both FfD3 and post-2015, not to mention the numerous inter-governmental agreements that have come before them. Instead of talking about the private sector as a partner at this stage, maybe the real issue is determining what specific steps are required to align every aspect of business and financial sector operations, from the choice to locate a manufacturing plant to a stock trade, with achieving the SDGs.

### *A Few Good Ideas*

Transformative, ambitious, universal—these notions, which began in post-2015, have started to filter into FfD3, setting a much higher bar than might otherwise be there. Now the challenge is to take them seriously enough to make them mean something.

Also raising the bar at the FfD3 April negotiations was a representative from the Office of the High Commissioner for Human Rights, who at session after session reminded delegates that the process must be grounded in universal principles that transcend narrow interests, national or otherwise. If we talk about an enabling environment for business, what about an enabling environment for states to uphold people rights? For people to claim those rights?

Another positive development was how delegates at the April joint session on FfD3 and post-2015 hung on to the idea of a technology facilitation mechanism by a thread, in the face of strong opposition by at least one powerful country. Interest in the mechanism came from all regions. After years of little progress in this area, it's a baby step—but still movement forward.

Finally, among the IFIs, IMF positions suggest a new level of rethinking and nuance. Given past history, it is almost astonishing to hear the IMF refer to post-2015 as a central institutional priority, as its representative did at the joint session. And then to discuss how financial markets are key to development, but so is regulation. Or that foreign capital is not a panacea and needs to be well used. Or that we should no longer take for granted that it is “natural” for markets to move up and down at will. Or that international tax cooperation is key so that developing countries get what they are entitled to. Now of course the issue is to act consistently in line with these ideas—to be a genuine partner committed

foremost to sustainable, inclusive development that reaches the entire world.

### *What's Not on the Agenda?*

Even before the political debate around FfD3 began gathering steam, the MDBs had come together around a common agenda that goes something like this: the needs for financing are huge (trillions), the public sector will never have enough to meet these needs, therefore, we have to tap all available resources (private). The mantra has become: public, private, domestic and international.

Yet the notion that the public sector simply doesn't have enough money may deserve more scrutiny. Is this about reality, or anti-government rhetoric?

First, it may apply mostly to those countries struggling with severe underdevelopment or structural constraints. For other states, and particularly the richer ones, the public sector could have a lot more funding through progressive taxation, tax cooperation and curbs on illicit financial flows—plus, for many developing countries, enhanced domestic capacities to manage economies in line with sustainable and inclusive development. Tax dodging costs the European Union alone around 1 trillion euros a year—a potentially big contribution to the IFI estimate for post-2015 costs. And then there is how existing funds are spent—in 2013, the defence budget of the 10 highest ranked spenders globally reached \$1.1 trillion.

Second, the public sector in some countries already has a history of coming up with large sums when it has to. Within weeks of the 2008 financial crisis, the United States had committed \$700 billion to bail out troubled companies. China injected \$600 billion in fiscal stimulus and called on banks to boost their lending rates, to the point where by 2009 it faced pressures from inflation.

Globally, state-owned financial institutions account for 25 percent of total banking assets; they include development banks mandated to provide services otherwise not commercially available. Nearly 40 percent of these banks have been established in the last two decades—despite pervasive advocacy for neoliberalism—and as of the end of 2009, they had \$2 trillion in assets. The China Development Bank and Brazil Development Bank both have assets greater than the World Bank Group.

Asia and the Pacific as a region has over \$7 trillion in foreign exchange reserves, and around \$3 trillion in sovereign wealth funds, with some questions over why a greater portion of these have not been channeled more systematically towards development. One answer: They serve as a buffer against the vicissitudes of an under-regulated, crisis-prone global economy.



## Unpacking a Word...

Enabling environment used to mean the international environment enabling poorer countries to develop their domestic economies through trade, debt relief and so on. That is how the phrase is first applied in the FfD3 zero draft. But then it moves on to new uses, most of which apply to the domestic realm. Such as an enabling environment for infrastructure investment. For private investment. For fiscal policy. For tax collection. Given the interconnectedness of the global economy, on highly unfair terms for many

countries, how enabling can the domestic environment be without an equally—or more than equally, through the lens of common but differentiated responsibility—international environment?

What does it mean to have an enabling environment for fiscal policy if countries are weighed down by debts, forced to offer tax breaks to transnational corporations, and cornered into low-value commodity exports? Does private investment really need to be enabled? Unless that means enabled, by regulation, to contribute to sustainable, inclusive development...

## What's Happening Next

### Post-2015 negotiations

- 20-18-22 May: Follow-up and review revised targets
- 22-22-25 June: Intergovernmental negotiations on the outcome document
- 6-8-8 July High-level Political Forum, "Strengthening integration, implementation and review—the HLPF after 2015"
- 6-16-10 July ECOSOC High-level Segment, "Managing the transition from the Millennium Development Goals to the sustainable development goals: What will it take?"
- 20-20-24 July, 27-31 July: Intergovernmental negotiations on the outcome document
- 25-25-27 September: UN Summit: "Delivering on and Implementing a Transformative Post-2015 Development Agenda"

### FfD3 negotiations

- 15-11-15 May: Intergovernmental negotiations on the outcome document
- 19 J26-29 May: Intergovernmental negotiations on the outcome document
- 1-5 June: Intergovernmental negotiations on the outcome document
- 15-19 June: Intergovernmental negotiations on the outcome document
- 13-16 July: 3<sup>rd</sup> Conference on Financing for Development

### To Find Out More

- [UN Sustainable Development Knowledge Platform](#)
- [Proposals for the SDGs](#)
- [Financing for Development III: official website](#)
- [Statistics Commission](#)
- [Are FfD3 and Post-2015 Striking the Right Public-Private Balance?](#)
- [Universality as Human Rights in the Financing for Development Agenda](#)
- [From Billions to Trillions-Transforming Development Financing \(briefing\)](#)
- [From Billions to Trillions-Transforming Development finance \(paper\)](#)
- [OHCHR Key messages on Human Rights and Financing for Development](#)

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