Failing to finance development

The recently concluded Addis Ababa financing for development "summit" was, as widely predicted, a damp squib. The United Nations (UN) communications machine, prone to hyperbole in inverse proportion to results for many years now, hailed the summit as "groundbreaking". This would be amusing were it not the case that the banality of the Addis outcome document reflects even more acutely the continued unwillingness of the developed world to take the issue of financing for development seriously.

PUBLIC INTEREST

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Financing for development is now akin to the problem of food security. The world has enough finance to comfortably provide the resources to ensure that all human beings on this planet are able to lead minimal decent lives, that no one goes hungry, is malnourished, illiterate or ill. Finance is also not the binding constraint to address climate change. The challenge is, first, to ensure that governments step in when markets fail to make finance available for national and global public goods; and second, to ensure that the rules that govern the international financial architecture do not continue to choke off financing from being applied in the regions, countries and areas where it is needed. Summits are expected to address these problems by agreeing on concrete actions to do so, expressed as a financing framework.

A financing framework which is actionable must provide an assessment of how much finance is required to deliver specific results, the means by which such finance will be mobilised and a time frame for such mobilisation. Ideally it would also specify the public, private, national and cross-border financing flows. In multilateral forums like the OECD, the G-20 and after the IMF-World Bank meetings, this is the bread and butter of outcome documents.

The Addis outcome document is eloquently silent on all of these counts. The first section lists a range of needs and makes pious exhortations to countries to do things to address them. On the most pressing global need, infrastructure, it provides a number ($1-1.5 trillion) and then welcomes the establishment of a "forum" to coordinate initiatives. The second section, "action areas", commits to "strengthen domestic enabling environments" "redouble efforts to reduce illicit financial efforts" (perhaps the next "summit" could re-triple such efforts), "foster a dynamic and well-functioning business sector while protecting labour rights and environmental health standards" (Was this commitment absent all these years?). It also encourages "impact investing", "the importance of robust risk-based regulatory frameworks for all financial intermediation", "the positive contribution of migrants for inclusive growth" and welcomes "the rapid growth of philanthropic giving."

While happily incorporating these empty catchphrases into the "action agenda", the developed countries killed the one concrete proposal that would have made a difference to the international financing architecture and was vociferously argued for by developing countries, actively led by India and Brazil. This was to replace the existing toothless UN "committee on tax experts" with an intergovernmental tax body that would be representative of all countries in the world and would lead on steps to enhance international tax cooperation, stop illicit financial flows and tackle tax dodging, thereby addressing the profoundly unfair status quo that penalises developing county tax mobilization efforts to the benefit of rich country corporations. This was steadfastly opposed by the United States and the European bloc, to the extent of refusing to sign on to even this insipid outcome document . The developing countries, perhaps already cynical of the process, chose to let the matter drop and fight for this on future occasions, hopefully less banal than this "summit".

At the very least, one would have expected this conference to come up with a binding commitment on aid for the poorest countries, a far more tractable problem now that many emerging economies are no longer candidates for aid, and countries like Bangladesh, Laos and some African countries have set targets to exit aid dependency. There continues to be no binding commitment by rich countries to provide even a paltry 0.7 per cent of rich country GDP for aid, the document instead preferring to mouth distracting platitudes about South-South co-operation, domestic resource mobilisation, private investment etc.

The only positive thing in the "summit" outcome document is the establishment of a technology facilitation mechanism (India should be given credit for its substantive leadership on this). This mechanism is to establish a structured research ecosystem and online platform to collaborate on, and disseminate, scientific and technological innovations through a global public process. Not finance — at least but something concrete.

The UN claims that the Addis "summit "lays the foundation for a global framework for financing sustainable development". Clearly, nothing could be further from the truth. Such hypocritical claims diminish the credibility of the UN system to an extent that even the Bush administration could not achieve.

Sadly, this also considerably narrows the space for effective action in the upcoming UN Summit on sustainable development and the climate finance negotiations that are part of the Paris 21st Conference of Parties on climate change in December. The lack of a global development financing framework will either limit, or make redundant, the ambitious agendas set forth by world leaders at these summits.

This failure again underscores the need to bring all financing issues — from Basel to development finance to climate-under one roof in a multilateral GATT/WTO type standing mechanism on international finance.

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