

Respond to the Result of the 3rd UN Conference on Financing for Development “Increasing Private Sector and IFIs Domination towards Financing for Development”

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Pic: CSOs Forum, Addis Ababa, 2015

Background

The 3rd United Nations (UN) Conference on Financing for Development held in Addis Ababa, Ethiopia, has finished and produced a document called “Addis Ababa Action Agenda” (AAAA). The conference failed to produce a real breakthrough in solving financing problems of development, as it had been predicted, especially the development in poor and developing countries. Moreover, some parties considered AAAA document as a setback from previous commitment that had been achieved in Monterrey and Doha.

The reluctance of developed countries to change global financial governance becomes a real obstacle in facilitating global solution to solve the problems of development. Initially there was a hope that this conference will solve systemic issues due to be held before the establishment of Post-2015 Development Agenda. It is in contrast to previous conferences both in Monterrey and in Doha that were held after the Millennium Development Goals (MDGs) had been set. The hope for a breakthrough faded, amid uncertain global conditions as a result of the financial and economic crisis, as well as pressure of financial institutions to do austerity policy that hamper development, increasing open conflicts, and the threat of climate change.

Developed countries such as the EU, US, Japan, and Australia rejected the proposal of the establishment of the Inter-Governmental Body on Tax under the United Nations, which from the beginning proposed by poor and developing countries members of the G77+China with support from global civil society. These countries ignore the results of studies conducted by United Nations on Trade and Development (UNCTAD) and Global Financial Integrity (GFI) which states that every \$ 1 dollar in developing countries gain through FDI, remittance, aid etc, they lose around \$ 2 dollars due to illicit financial flows and debt repayments. AAAA document did not support the proposal, even restoring the mandate to organize the global tax regulation to the OECD (Organization for Economic Co-operation Development), which obviously does not represent all countries in the world.

Cross-country research on tax conducted by INFID in cooperation with South Africa Network on Inequality (SANI) as part of the Empowering Civil Society Network in BRICSAM Countries found that Indonesia, South Africa and Brazil are high on the list of countries suffering the largest losses as a result of international tax evasion schemes, which are largely used by High Net Worth Individuals (HNWI) and multinational corporations (MNCs). This research had been launched during CSO Forum on Financing for Development and submitted to official delegation particularly from BRICSAM countries before and during UN Conference.

On the contrary, the role of the private sector in financing the development intensified. For example, AAAA document states that the government will strengthen regulatory framework to enhance private sector's role in achieving development objectives, including providing incentives to the private sector to adopt sustainable practices and improve long-term quality investment. AAAA document also mentions about blended financing between private and public - in other words, Public Private Partnership - that previously did not exist in the Monterrey Document. PPP scheme needs serious attention from civil society to ensure accountability of the project and to ensure that those projects support sustainable development agenda, and avoid socializing risks and privatizing profits.

International Financial Institutions (IFIs) Reform

Another issue is the failure to push for reform of international financial institutions. Instead, the role of international financial institutions in financing development intensified. It can be seen from the reluctance of developed countries to support the G77+China proposal to establish a Global Tax Body. They even invited the International Monetary Fund (IMF) and the World Bank to help tackling illicit flows.

Even though paragraph 106 of AAAA mentions a joint commitment to enhance the voice of developing countries in decision-making and in setting standard of economic governance in global financial institutions, especially the IMF, until now the commitment is unable to run because of refusal of the United States. What then happens, both the role of financial institutions is increasing with new initiatives such as the establishment of a forum to bridge the infrastructure gap, including emphasizing the role of those financial institutions to address financial and economic crisis that hit any country in the world.

The results achieved in Addis Ababa as consolidation of development financing efforts under the United Nations reflected the paradoxical and ironic situation. On the one hand, development financing commitments as the outcome of the conference in Monterrey, i.e. fulfillment of 0.7% of the total GNI for Official Development Assistance (ODA) are not met. In addition, slightly number of high-level officials who attended the conference raises doubt about the effectiveness of multilateral institutions in addressing problem of development financing. On the other hand, the AAAA document increasingly emphasized the role of international financial institutions - which in essence are also multilateral institutions- in the structure of global development financing. Yet history has proven that the financial institutions have failed to encourage sustainable development agenda and failed to prevent the financial crisis that continues to occur and recur until today.

Enabling Environment for Civil Society

The conference also emphasized the important role of civil society. At the time of closing of the CSOs Forum that was held two days before the UN conference, UN Secretary General Ban Ki Moon was present and gave a speech that emphasized the importance of civil

society. According to him, CSOs have a crucial role in embodying accountable governance for financing of the Post-2015 Development Agenda. Ban Ki Moon's presence confirms importance role of CSOs in sustainable development agenda. It also confirms the vital role of CSOs in the negotiation process.

This role of civil society was pronounced during tax and gender equality negotiation. The demand of the women's movement has also strengthened the narrative in the AAAA document related to global commitment to increase financing for women. It also emphasized equality of women in all areas such as in politics, access and participation in the economy, as well as the elimination of all forms of violence and discrimination against women.

Multipolar world order which increases the role of emerging countries has also enhanced the role of CSOs from those countries. This is especially apparent on expectations of a global civil society to civil society from emerging markets to approach the government. This expectation is in line with capacity of civil society that is also expected to strengthen furtherly.

The strengthening role of civil society does not mean that challenge of the sustainability of civil society is reduced. AAAA document does not guarantee sustainability of civil society both in terms of financing and in terms of legal protection as being promised to the private sector. It will still be the challenges ahead that need to be solved together, especially by civil society.

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