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Five Points on the Addis Ababa Action Agenda

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The outcome of the Third International Financing for Development Conference held in Addis Ababa on 13-16 July 2015 exposes the waning state of multilateral development cooperation today. In the outcome, which was nevertheless grandly called the "Addis Ababa Action Agenda" (AAAA), there were no new commitments and no proposed actions that can properly be deemed responsive either to (1) the flimsy state of international financing today or (2) the financing requirements of the UN's new development agenda based on the 17 sustainable development goals (SDGs).

Instead, the most important outcomes of the conference, arrived at with great difficulty in the face of determined resistance on the part of developed countries, are two new processes: a proposed technology facilitation mechanism (TFM) and a follow up mechanism in the Economic and Social Council to monitor progress on financing for development (FfD) issues. These two, plus another process decision to set up a global infrastructure forum (paragraph 14) and a call to reduce illicit financial flows in an outcome officially intended to revitalize the global partnership for development (as asserted in paragraphs 10 and 19), suggest that the most concrete promises that are possible today are only those that merely startup other intergovernmental processes.

The following analysis of the AAAA is organized around five main points.

1. No new commitments

The conference outcome did not feature new sources for financing for development. The developed countries took the negotiating position that the AAAA should constitute the main and sole means of implementation (MOI) to achieve the sustainable development goals (SDGs). Given this view, it would have been logical that new and additional financing would be a headline outcome to support the new sustainable development goals, which are universal and even more ambitious than the previous Millennium Development Goals. The new goals go beyond poverty reduction and now include targets in industrialization, employment, and economic growth and infrastructure development.

2. Preserving developed country dominance in international economic policy-making

The few process outcomes of the AAAA proved almost impossible to introduce since developed countries sought to ensure that debates, decisions, and actions on international finance continue to be located in platforms which they dominate, such as the International Monetary and Financial Committee (IMFC) in the International Monetary Fund, the Development Committee in the World Bank, and the Organisation for Economic Co-operation and Development (OECD).

The last one-and-half days of negotiations in Addis revolved around the issue of whether the UN Committee of Experts on Cooperation in International Tax Matters ("UN tax committee") would be upgraded to an intergovernmental body. The proposal was successfully blocked by developed countries, thus ensuring that negotiated norms and standards on international tax cooperation will continue to be decided only under the auspices of the OECD.

The upgrading of the tax committee would have meant an alternative venue where developing countries have a secure access to agenda setting and deliberations. In the OECD, developing countries participate only at the invitation of OECD member states.

The *de facto* choice in the AAAA to rely essentially on the OECD in the setting of international norms in tax cooperation was only one of a large number of initiatives which locate decision-making and financing interventions beyond accountability to the UN community.

The original FfD process had insisted on adequate participation of developing countries in international norm setting activities and called to redress these imbalances in "voice and participation." This concept was particularly directed at the main financing mechanisms such as the IMF.

The 'voice and participation' call was restated in paragraph 106 in AAAA but undermined in the same document with the generous sprinkling of potentially important financing and norm-setting mechanisms outside of the UN, in other fora where developing countries do

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not have a secure voice. These include the Addis Tax Initiative (OECD backed by UNDP country implementation), the Global Financing Facility (GFF) for "Every Woman, Every Child" on health (with a board of self-selected donors called "investors"), Global Partnership for Effective Development Cooperation (GPEDC) and the International Aid Transparency Initiative for ODA norm setting and monitoring, in addition to older mechanisms which were supposed to be reformed to improve voice and participation of developing countries such as Open Government Partnership for public sector governance and transparency, the Global Partnership for Education, International Financing Facility for Immunization, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Financial Action Task Force on terrorist financing. The governing boards of these organizations often feature a major voice for private foundations and private corporations (See the analysis in Global Policy Forum (2015)).

Voice and participation in norm-setting is critical to good governance at all levels. During the FfD negotiations, the recognition of the ongoing process in the UN General Assembly on establishing a legal framework over the resolution of sovereign debt crises was studiously blocked by developed countries, who sought debt resolutions to be exclusively lodged with the Paris Club and the IMF.

3. Curbing developing country policy space

Recognizing the "policy space" of developing countries was also controversial. In the end, "policy space" merited one mention in paragraph 9 in terms of "We will respect each country's policy space and leadership to implement policies for poverty eradication and sustainable development, while remaining consistent with relevant international rules and commitments."

Some important constrictors of developing country policy space come from features of the international financing system itself. Developing countries, none of whom issue currencies that are widely used in international reserves, must contend with the treacherous situation created by the over-dependence of the international payments system on the US dollar. This makes international liquidity a hostage to the booms and busts of the political cycle in the United States. Both the Monterrey and Doha outcomes called for serious study of the increased use of an intergovernmentally created reserve asset called the Special Drawing Rights. The AAAA does not reiterate this call.

The treacherous international system has caused countries to accumulate large foreign currency reserves, which could be better used for domestic financial development. If developing country authorities had greater confidence in the ability of the IMF to provide adequate, timely, and counter-cyclical liquidity in the event of private sector portfolio reversals they would reduce their reserve accumulation.

4. FfD as means of implementation for sustainable development and the means of implementation for FfD itself

As a means of implementation in international development cooperation, the AAAA reflects two conflicting views. Developed countries, seeking to disown the possible existence of intrinsically financing for development questions, took the view that such questions could not be separated from the overall international sustainable development project. The implication was that there would be no need in the future for activities to monitor and follow-up on intrinsically financing for development issues. These issues do not have to be monitored directly inside the UN, except to the extent that these have a bearing on sustainable development. In effect, the critical monitoring of these issues will revert to the IMFC, the OECD, and other venues where developed countries have a strong hand.

In contrast, the developing countries sought to protect the integrity of issues specific to financing for development and to ensure the FfD process should continue to have its own monitoring and follow up processes.

In the end, the AAAA document affords some protection for maintaining the integrity of the FfD process. Paragraph 131 provides for a follow up process and an intergovernmentally agreed conclusion from an annual five-day session of the ECOSOC. Developing countries need to make sure that the follow up process be provided with a strong analytical support including from UN agencies with expertise (notably UNCTAD).

5. What is to be done: Review and Follow Up

The AAAA is not lacking for soaring, high-sounding, aspirational phrases. In fact, during the negotiations terms like "transformative," "ambitious," "game changer," "rule of law," and "universal" rolled quite easily off the tongues of negotiators from the developed countries.

In contrast to the high-flown language, the global economy is in a deflationary trend, debt crises have resurfaced on many developing countries, and exchange rate and macroeconomic coordination conflicts have re-emerged.

The mechanisms set up in the AAAA could be brought closer to the aspirational text to advance the FfD agenda and to support the SDG effort. For example, paragraph 28 starts with: "We stress that efforts in international tax cooperation should be universal in approach and scope and should fully take into account the different needs and capacities of all countries, in particular least developed countries." In line with these sentiments, further political work can be pursued at the General Assembly to upgrade the UN international tax work to an intergovernmental level despite this proposal having been blocked in Addis Ababa.

Technology Facilitation Mechanism (TFM)

The main elements of the TFM are set out in paragraph 123 of the AAAA, and include a multi-stakeholder forum on science, technology and innovation convened every year over two days.

While the "mind map" of developed countries on innovation, science and technology begins and ends with private intellectual property rights (enforced through WTO disciplines) the TFM can restore this subject to its natural setting, starting with local problem-solving, technology exploration, adaptation, and deployment. In a natural setting, the protection and payment for access to intellectual property occurs at the end of the process, instead of being an obstacle from the beginning. The assessment of the technology space can be organized around the 17 SDGs, or perhaps clusters of SDGs based on logical groupings. The assessments could identify which technologies are critical to meeting the SDGs, the range of specific technologies and their appropriateness to countries based on their level of development and physical situation, and the channels through which technology diffusion can take place (including possible obstacles in these channels). Should intellectual property rights prove to be the decisive obstacle for specific technologies, then, morally, Agenda 2030's transformative agenda should require the removal of such an obstacle.

Financing for Development Follow Up

The AAAA calls for "a dedicated and strengthened follow-up process that will use existing institutional arrangements and will include an annual Economic and Social Council forum on financing for development follow-up with universal, intergovernmental participation" (paragraph 132) for the FfD process. The forum will have "intergovernmentally agreed conclusions and recommendations." It will be important for these conclusions and recommendations to inform the FfD process, and not just the High Level Political Forum.

As discussed above, the AAAA has recognized many mechanisms outside of the UN to pursue some FfD outcomes. It will be necessary to remedy the non-universality and non-accountability of these mechanisms by wrestling their norm-setting functions back into the UN.

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