



Post-2015 and FfD3: Debates Begin, Political Lines Emerge

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2015 is a pivotal year. The post-2015 sustainable development agenda currently being drafted is premised on the reality that the present model of development is not working, given worsening inequalities and straining planetary boundaries. All countries and peoples—and the planet on which we depend—have the right to live with a better model, one that is inclusive and sustainable.

An increasingly urgent imperative for change informs the two-track negotiations unfolding at the United Nations from now until September. One track involves the post-2015 sustainable development agenda; the second focuses on financing for development, an independent process that began at the 2002 Monterrey Conference. While the two talks are separate, the issues in each are deeply interlinked, and the success of any new model depends on the outcomes of both. The political stakes are high, but so are the opportunities—perhaps once-in-a-generation—for genuine transformation.

Post-2015: Taking Stock

Meeting from 19–21 January, the post-2015 negotiating team, after more than a year of gathering a wide range of diverse inputs, began debating the final shape of a development agenda for the next 15 years, to be agreed at the UN Summit on 25–27 September in New York. Delegates outlined the four-section structure of the summit outcome document: a declaration, the Sustainable Development Goals (SDGs) and targets, the means of implementation and the global partnership for development, and follow-up and review. Future sessions (see [below](#)) will debate all of these, with a particular focus on the declaration and review. There will be some discussion on SDG indicators,

with the [goals themselves](#) basically agreed. Joint sessions with the financing for development negotiators will frame the means of implementation and global partnership section. [Look for a post-2015 elements paper](#) to be circulated before the next meetings from 17–20 February.

The January talks drew out some of the new dimensions of the post-2015 agenda. Delegates agreed the agenda should apply to all countries, not just those considered still ‘developing’. This recognizes that no country in the world is sustainably developed. Yet political lines are already emerging around what universal means. Rich countries, for the most part, see it as not leaving anyone behind. But behind what, if the current development model is unsustainable? What does it mean to put money into assisting the poor to somehow enter the market economy, for example, without challenging the trade and economic policies that keep people deeply poor in the first place? Universality can also be seen simply as ‘every country is involved and taking care of itself’. But given the world’s enormous inequities, entrenched by global interconnectedness, no national interest can be promoted outside a framework of international cooperation. Further, if the idea is to achieve certain goals, universally, and some countries are far behind, there is a clear case for those who are far ahead having the primary responsibility to redress inequalities.

There are also important political divisions around the notion of global partnership. Most developing countries see global partnership as a state-to-state interaction, because states are responsible for protecting rights, levying taxes to pay for public services and so on. Rich countries are urging the concept of multistakeholder partnership, involving all actors who, theoretically, can make a contribution (mainly money) to imple-

menting a sustainable development agenda. On the surface, that can sound like a good idea, but what are the implications? Does it dilute responsibilities that belong to states? Who makes decisions, who really benefits, and what are the lines of accountability? If the state's role diminishes, who, realistically, has the resources, legitimacy and incentives to tackle inequities and resource depletion? Keeping in mind that stakeholders emphasized by the rich countries, especially the business sector, are the major drivers and beneficiaries of current inequitable and unsustainable development patterns...

FfD3: Considering the Elements

The 3rd Conference on Financing for Development will take place on 13–16 July in Addis Ababa, Ethiopia. From 28–30 January, negotiators discussed a first 'elements paper' as the basis for an outcome agreement. A number of issues deserve more consideration, such as:

Taxation: as much global as local

Domestic resource mobilization is key to financing sustainable development. The focus so far is on taxation, although non-tax revenues (such as licensing and fees) can be significant in some cases, particularly for localities. For taxation, the elements paper notes that many developing countries face capacity gaps in collecting taxes. Yet the issues at stake are far more complex, and as much global as national. The lack of coherent global regulation allows huge sums of money to circulate while contributing very little to the public purse. And current imbalances in the global economy mean many countries cannot develop enough momentum to reduce untaxable informal sectors and provide decent jobs so that the majority of people can pay taxes. Restricted national policy space leaves little room to question well-worn assumptions like "taxation is bad for growth" and "tax breaks enable business," despite plenty of evidence to the contrary. While taxation has redistributive effects and can be used in a socially just manner, such as where those who earn more have the responsibility to pay more, tax policy—or the lack thereof—instead follows the dictates of the powerful and helps perpetuate unsustainable, inequitable development. Can FfD3 seriously talk about national responsibility and putting domestic resource mobilization at the "crux of financing sustainable development" without taking all of these issues on board?

Consumption and production: let's operationalize

Changing consumption and production patterns is fundamental to sustainable development. But the issue remains mainly on the level of a large abstraction—we realize it's a problem that we need to address. So what then? How can we operationalize action? What does it mean, for instance, to deliberately alter consumption and production patterns through each element of FfD: domestic resources, private funds, trade, debt and so on? In this, the framework of common but differentiated responsibility must apply, keeping in mind the current vast imbalances between consumption and production across countries at different stages of development. Trade rules, for example, should explicitly favour a country that consumes and produces little over one that consumes and produces in a way that is unsustainable and damages the climate. There are also questions around how to measure consumption and production, given many diverse patterns. A country may produce a lot, but ship most of it abroad, consuming little, and with only partial benefits to the broader domestic economy. What should indicators look like? Work on multidimensional poverty, which attempts to measure the complexity of poverty beyond just the most basic level of income, might suggest one direction.

The private sector: show us the evidence

Debate at FfD3 is already heating up around the idea of an expanded role for the private sector. One basic question is: how does money end up getting from the private sector to sustainable development? One option is through public-private partnerships, but even organizations like the [OECD](#) and [World Bank](#) have questioned the value of these. There is lots of evidence for public partners getting stuck with the bill when promised profits fail to materialize—so what really is the net gain? Another option is through markets, such as for municipal bonds, although these are not organized around sustainable development principles, and can entail additional public guarantees and risk, not to mention being at a very limited stage of development across much of the world. Then there are the philanthropists, well intentioned no doubt, but to whom are they accountable? Particularly those who operate on a global scale and may be more tied to their own theories than the communities they are attempting to 'help'? Finally, there is the enabling environment to unleash productive private sector activity. What does an enabling environment really mean? Whom does it enable—for example, if one person

can create a business, but another can't join a labour union? How many jobs does it produce, and how many can be considered decent work? How enabling can the domestic environment be when global business practices result in national deindustrialization and a position in the lowest levels of global value chains? If the private sector is to be considered a primary source of development finance for sustainable, inclusive development, what is the evidence of its contributions so far, and what are the indicators for measurement going forward?

Too much policy space

FfD3 delegates made many reference to policy space—mostly those from countries that do not have enough of it. They face a conundrum: on the one hand, take the responsibility for pursuing and paying for sustainable development, but on the other, abide within the confine of an international economic model that results in unsustainable, inequitable development. For their part, rich countries like to think that their responsibility is mostly in terms of ODA, not so much when it comes to correcting imbalanced trade, financial and investment flows. Recent moves to deal with some of the unpleasant unintended consequences of the current global economic model, referred to optimistically as 'spillovers', have not included any enthusiasm for tackling the inbuilt deficiencies of a model where the powerful exploit enormous advantages. Is it possible that rich countries, in some sense, have too much policy space and are too free to operate only in their own interest? How should policy space be assessed and measured? If the policy space of a few countries intrudes on everyone else and undercuts sustainability and inclusion, then, logically, the sustainable development agenda implies a rebalancing. How does this take place?

Which forum?

It is already clear at FfD3 that delegates will contest where various financing decisions will be made, across different issues including ODA, trade, debt workouts and taxation. Developing countries want decisions made in the United Nations, which is both a multilateral forum where they have more of a say, and bound by international norms and standards for sustainable development, including human rights. Rich countries argued for bodies such as the IMF and the OECD, highlighting their reservoirs of technical expertise. The OECD went so far as to describe its statistics as a global public

good—a term more traditionally reserved for issues like climate and peace, and despite concerns about the accurate tracking of ODA. The IMF and OECD lack universality and a comprehensive mandate to promote sustainable development and human rights. If major decisions related to FfD remain solely within them, the FfD3 review and follow-up process will be significantly handicapped. What happens when broader groups of countries don't have much say in decisions basic to the health of their economies and societies? One representative from a middle-income country spoke poignantly about how the sudden withdrawal of ODA, based on donor parameters, meant poverty in her country took a turn for the worse.

A few good ideas...

The FfD3 elements paper so far has been relatively general and consensus-oriented, anticipating the many compromises that will be made. It includes an annex with a few ideas that aim at a higher bar. These comprise, as a few examples: agreeing on an official definition of illicit financial flows, and mandating impartial official estimates; reflecting the SDGs in setting/updating international tax norms and tax agreements; agreeing on international (or regional) minimum corporate tax floors and a consolidated corporate tax base; committing to a human rights impact assessment of all trade and investment agreements; elaborating binding environmental, social and human rights standards for all investment agreements; safeguarding the right to regulate on health, environment, safety, financial stability, etc.; and continuing existing discussions on a multilateral framework for sovereign debt restructuring.

What's Not on the Agenda?

The FfD3 elements paper makes reference to various earlier agreements—the Monterrey Consensus and Doha Declaration, of course, and Rio+20. What's missing? For one, the 2009 UN Conference at the Highest Level on the World Financial and Economic Crisis and Its Impact on Development. It deliberated on how to bring sustainability to the international economic financial order, building on the Stiglitz Commission report, written by leading global experts as requested by the President of the UN General Assembly. The report spoke of a "broken" global economy and an "almost complete absence of political accountability," and mapped a series of essential reforms. At the FfD3 informals, many delegates noted that their countries have not recovered from the 2008

crisis, but only a couple referenced a conference on issues that, until resolved, will continue to severely undercut prospects for inclusiveness and sustainability—and thus any hope for a transformative post-2015 agenda.

Unpacking a Word

The FfD3 elements paper includes reference to the problem of illicit financial flows. Everyone would agree that commercial tax evasion, revenues from criminal activities and public corruption are best avoided.

But some of the most damaging financial flows are not considered illicit, at least in legal terms. A recent [Eurodad report](#) shows that the global economy is currently structured so that developing countries, on average, lose \$2 for every \$1 they gain. While the biggest loss was through illicit financial flows, \$634 billion in 2011, the second biggest loss entails profits extracted by foreign investors, at \$486 billion in 2012. The third biggest loss: money developing countries lend rich ones—\$276 billion in 2012. Then there are interest pay-

ments on foreign debt, at \$188 billion in 2012. Foreign direct investment, aid, portfolio equity, charitable contributions and remittances from migrant workers, all often touted as important sources of financing, in total add up to less than these outflows.

Further, if you think illicit mainly means scenarios like a group of drug traffickers stashing their profits, think again. According to [Africa Progress Panel](#), among illicit flows, trade misinvoicing accounts for about 80 percent of the global total. That's when supposedly legitimate companies use a bland bureaucratic procedure—falsifying import and export declarations—to avoid tax.

In the end, departing from the strictly legal definition, and considering the goal is sustainable development, what's really illicit? The elements paper sets a low bar in its systemic issues section by noting that international rules and standards are not always in line with sustainable development objectives. They never will be as long as the powerful can game the system, and the flow of resources is unequivocally skewed towards those who already have much more than their fair share.

What's Happening Next

Post-2015 negotiations

17–20 February: Declaration
 23–27 March: Sustainable Development Goals and targets
 20–24 April: Means of implementation and global partnership for sustainable development
 18–22 May: Follow-up and review
 22–25 June: Intergovernmental negotiations on the outcome document
 20–24 July, 27–31 July: Intergovernmental negotiations on the outcome document
 25–27 September: UN Summit: Delivering on and Implementing a Transformative Post-2015 Development Agenda

FfD3 negotiations

4–5 March: Civil Society and Business Sector Hearings
 13–17 April: Intergovernmental negotiations on the outcome document
 15–19 June: Intergovernmental negotiations on the outcome document
 13–16 July: 3rd Conference on Financing for Development

To Find Out More

- [Financing for Development III: official website](#)
- [Government statements to FfD3](#)
- [CSOs for the 3rd FfD Conference](#)
- [Civil Society Response to the FfD3 Elements Paper](#)
- [UN Sustainable Development Knowledge Platform](#)
- [Proposals for the SDGs](#)
- [The Privatization of Global Governance: Corporate influence on the UN](#)
- [The Reflection Group](#)

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