14 September 2024

DELEGATIONS SHOULD MAKE THE GLOBAL SUMMIT ON FINANCING FOR DEVELOPMENT (FFD4) 2025 A CELEBRATION, NOT A FUNERAL

by Barry Herman
Social Justice in Global Development[1]

Financing for Development (FfD) has always been a unique forum at the UN, blending the diplomatic talents of foreign ministries with the policy expertise of finance ministries, central banks, trade ministries, development ministries, and the key international financial and trade institutions. FfD has been called the "coherence forum," where it can be asked if the policy details mainly negotiated by government experts elsewhere form into a coherent whole that moves the world toward international development goals. FfD has always been an "international" conference, rather than only a UN conference, with ownership shared by the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO), as well as the United Nations, and with government representatives to the different organizations contributing to an FfD consensus. The UN, however, is the force that maintains the momentum of this unique forum and it falls again to the UN to nurture the process or see it die in the current international political environment.

The General Assembly agreed to hold the fourth international conference on Financing for Development (FfD4) in Spain at the end of June 2025 and created a Preparatory Committee to prepare that conference. The first substantive meeting of the "Prep Com" in Addis Ababa on 22-26 July, was not innocent of the fissures of intergovernmental discussions at the UN lately. The purpose of this present note (by an FfD veteran) is to suggest some innovations in how some preparatory FfD4 discussions might be organized in order to try to help increase the chances of a more fruitful conference in Sevilla next June.

The Addis Ababa Prep Com: Diplomatic dissolution threatens FfD

A lot of friendly and encouraging words were spoken at the Addis Prep Com, but so were some that were neither friendly nor encouraging. What was said, paraphrasing, was we are very polarized, we distrust each other, there is no common ground, we object to extra-territorial legislation, unilateral protectionist measures, carefully negotiated multilateral agreements nullified, arbitrary actions, and so on. Diplomats are polite, but Addis was not a "love in."

There had been great uncertainty and a bit of foreboding on how the Prep Com would go in Addis. In the event, many governments sent delegations and many wanted to speak. According to the Prep Com press release issued at the close of the meeting, "dozens of finance and foreign ministers" participated, along with other representatives from a total of 103 countries, which with other stakeholders totalled almost 800 participants. Even if some countries were represented by people from their local embassy, rather than experts from capitals, the numbers per se looked ok.

[1] herman@socdevjustice.org. Views expressed in this note are purely personal.

For those unable to attend in person, recorded sessions of the Prep Com were and still are available. While some countries speaking from the floor gave quick briefs about national conditions or their international cooperation efforts, most Member States made lists of their priority concerns on the topic at hand. These statements seemed not so different from the interventions made only three months earlier in the FfD Follow-up Forum, whose purpose is to annually review the status of implementation of the Addis Ababa Action Agenda, which was the agreed outcome of the third FfD conference in 2015. The result of that April 2024 review was a negotiated text of 16 pages and 113 paragraphs. It reaffirmed earlier commitments (including on the recent initiative on tax cooperation) and contained no new ones. The Prep Com meeting seemed to be set up to repeat that exercise, albeit without a new negotiated outcome. Indeed, the agenda of the Prep Com was very much a repeat of the agenda of the FfD Forum. Diplomats know when a meeting is simply marking time.

A further problem was that each speaker, including the panellists, seemed to effectively talk to the record, not to each other. Speakers from the floor did not comment on the views and proposals by panellists who had kicked off the discussions and speakers did not comment on each other, albeit with some important exceptions that will be noted below. For the most part, Member State interventions skimmed the surface on a range of topics, without delving into the pros and cons and the whys and wherefores on any specific issue. To be fair, nothing else was possible as each speaker was given only three minutes to intervene about a full chapter of the Addis Agenda (or about FfD as a whole in the ministerial "scene setting" sessions).

No opportunity had been created to try to understand through dialogue why some FfD policy issues are contentious and unresolved, why some are partially resolved and where differences might be breached with some work, or which others were ready for consensus. That would have required a different organization of the meeting, perhaps one too risky for the co-chairs, the bureau and the facilitators to want to try in the current strained state of diplomacy at the UN.

In the event, there were some fireworks, notably in the initial ministerial "scene setter" session. There is a need for countries to understand each other better, a problem that is exacerbated by the current "very polarized situation."

Trade is probably the most contentious issue at the moment. In the trade session, South Africa and India stated forcefully their opposition to the European Union's Carbon Border Adjustment Mechanism, which the EU defended just as vigorously as not being a violation of its obligations under the World Trade Organization. This difficulty can only be addressed through dialogue, even though the path to its resolution is frankly not now clear.

From an FfD perspective, it's important to at least try to start a conversation, informal, off-the-record, that could seek how to ultimately bridge that sharp difference in views on this and other trade disputes, if not by June 2025, then in a commitment to continuing discussions thereafter. FfD has in the past represented a cadre of countries that viewed the international system as a whole, insisting that trade was a major part of the financing for development community. They saw the need to try to make all its pieces work together.

Some say that the international system of multilateral rules and laws is dead, replaced by national expressions of raw power. The proposed text in the fourth revision of the Pact for the Future[2] says that "States are strongly urged to refrain from promulgating and applying unilateral economic measures not in accordance with international law and the Charter of the United Nations" (para. 24). That names a problem (and it is not the only one in trade or finance). It does not begin to solve it.

In Addis, no one rose to disagree that there was considerable lack of trust among countries. Norway's State Secretary for International Development, discussed the trust problem, and saw the sustainable development goals (SDGs) as giving a framework they all shared, which should help to come up with a consensus document. But that was precisely what could not be realized in the April FfD Follow-up Forum, whose outcome had to be adopted by vote. It did not seem there would be smooth sailing to FfD4 at Sevilla next June.

The Deputy Secretary-General made an impassioned closing statement to that session. She said it's difficult to rebuild trust because it requires a common ground and "we don't have common ground."

She has a point. The UN has sought for decades to put a "human face" on the dynamic economic processes of global liberalization, which benefited the development of many economies, if not all, but had important failings. Critics in 2002 called the first FfD outcome, the Monterrey Consensus, the "Washington Consensus with a sombrero," a striking phrase if an exaggeration. The Monterrey commitment was actually toward a fairer globalization, including a revival and improved effectiveness of international development assistance and more voice and participation of developing countries in the management of globalization. But today the shared goal of a more socially responsible global liberalization seems to have been been superseded by a narrower focus on security and national economic resilience, coupled with less confidence in the rules governing liberalized markets, not to mention fear of populations seeking to escape a deteriorating climate as well as personal insecurity. The challenge to FfD4 is whether in this new global economic context it can forge a replacement vision for global cooperation.

The Deputy Secretary-General said that the world's governments are not delivering on their funding commitments, highlighting estimates of a US$ 4 trillion annual gap in funding needed to reach the SDGs. However, governments never committed to spending such a sum from their national or development cooperation budgets and the private sector makes no such policy commitments. Pledges to close the SDG funding gap, as contained in the draft Pact for the Future (para. 23), are only to be believed if accompanied by individual country and institution announcements of significant increases in funding. Precisely such pledges were made at the Monterrey Conference in 2002 and thus the text in the consensus was credible in recognizing that a "substantial increase" in aid was required.[3]

For the most part, FfD takes a different approach than vague commitments that are not backed up by actual decisions, as in the Pact for the Future. FfD brings together a set of commitments on specific programs and policies that if realized should greatly increase financing for development.

[2] Text not yet posted.
[3] Monterrey Consensus, para. 41.

A close reading of the Addis Agenda would show how little money was actually committed.[4] Rather, that Agenda was about new and strengthened activities that could lead to more resources, like creating the "global infrastructure forum" to boost the infrastructure financing efforts of the development finance institutions (and which has evolved into broader cooperation among development banks), strengthening in specific ways the work of the UN Committee of Experts on International Cooperation in Tax Matters (albeit not agreeing to convert it into an intergovernmental tax forum), flagging a relatively new economic and financial development planning tool, the INFF, the "integrated national financing framework" (which has since been developed into a more detailed methodology and assistance program that has been adopted by 86 countries), and creating the Inter-Agency Task Force (IATF) as a confidence-inspiring source of inputs to the new FfD Follow-up Forum, which was itself an innovation.

FfD4 should seek to emulate FfD3. It should seek to forge commitments to address a package of specific proposals that would by their nature facilitate additional financing for development and help shape a new global vision of financing for development. Achieving that would help diminish the very real lack of trust among governments. But Member States need a way to push toward such agreements.

A strategy for addressing loss of trust

It should be appreciated that distrust among governments, which holds back attempts to resolve problems, is not a new phenomenon. In the initial preparations for what became the 2002 Monterrey FfD conference, there was huge distrust between governments of the South and North, and distrust, frustration and even anger of the South with the major international financial institutions, especially the International Monetary Fund (IMF). FfD was a response. It was an initiative of Latin American delegates at the UN, joined by countries of South-East and East Asia, and then Africa and joined by the United States, Japan, China, India, Russia and ultimately Europe.

The distrust was not only between governments but also within them, as powerful finance ministries often remained aloof from the foreign ministries, and trade ministries often stayed apart from both. The preparatory process for FfD evolved a way to build more familiarity among foreign and finance ministries (if not as successfully, alas, with their trade ministries), as they increasingly made common cause across international negotiations. However, the more effective working relationships among ministries and countries was built up over six carefully prepared if not entirely smooth years, 1997-2002, ending finally in the "spirit of Monterrey" and the idea that the UN, even though not the negotiation forum for most financial or trade policies, could nevertheless usefully serve as the overall universal coherence forum on international policies

[4] For example, unlike in Monterrey in 2002, the official development assistance (ODA) commitments in 2015 have to be read very carefully. Being "determined to step up our respective efforts…" (para. 50) is not a commitment to actually deliver more aid. In contrast, a real commitment was made regarding what kinds of official financing should count as aid and what should be deemed commercial funding, namely, "We will hold open, inclusive and transparent discussions on the modernization of the ODA measurement and on the proposed measure of 'total official support for sustainable development' and we affirm that any such measure will not dilute commitments already made [as for the 0.7% ODA target that many donor governments have adopted]" (para. 55). That had reflected an actual agreement among the relevant governments and so it happened (see Herman, pp. 24-25).

affecting development.[5]

The kernel of the approach was to hold FfD meetings in informal sessions, inviting relevant international institutions and substantive private sector and civil society stakeholders to participate, with no recording of what was said, no collection of statements, and either anodyne or frank reports of the discussion on the authority of the co-chairs of the session, depending on the needs of the moment. Some of the meetings, especially at first, were in the nature of informal seminars on topics of interest to New York-based diplomats (e.g. history of the North-South Dialogue), where participants were not expected to express national positions. Some were substantive interactions of New York-based diplomats with counterparts in the IMF or World Bank Executive Boards. Some were informal sessions of the FfD Prep Com itself, or later of ECOSOC meetings, wherein the formal meetings were suspended to break up into smaller unscripted discussions behind closed doors (indeed, with UN security guards posted at the doors to keep out journalists), and where participants were prohibited from reading prepared statements.

Some of the informal sessions were held in plenary. They did not restrain the expression of strong emotions while making substantive points. Indeed, in one such meeting in the basement of the UN, a Chilean diplomat visibly moved the meeting with a speech about an albatross (that bird subsequently became the mascot of the Prep Com). The point is that country representatives had agreed to enter into dialogues on contentious issues, seeking to flesh out policy concerns that had not reached consensus but possibly could. They would try to work together despite sharp differences.

Undoubtedly, country representatives had instructions to participate, as there had also been efforts to engage support of government leaders, mostly through quiet diplomacy, spurred by champions from the South who saw the potential of dialogue to advance development finance interests following the confidence-eroding treatments in the Asian financial crisis, the Russian insolvency and ensuing US financial market disruption, Latin American financial stresses, and unending African trips to the Paris Club for inadequate debt restructuring. The sales pitch was to try something new in contrast to the tired and unproductive confrontational North-South dialogue.

By the time of the Monterrey Conference itself, in March 2002, heads of state and ministers came to Mexico to celebrate the Monterrey Consensus, which had been agreed at the last Prep Com session in January. They enthusiastically joined in freewheeling informal round tables. Reports of those discussions, both of heads of state and ministerial ones, were issued under the responsibility of Member State and international institution co-chairs. Those reports could be quite frank discussions of views expressed and proposals tabled (see *Financing for Development: Building on Monterrey*, pp. 277-303). Monterrey, in this sense, did not solve all problems, but addressed some of them and showed a way to continue a fruitful dialogue.

[5] Your author was pleased to tell this story in a guest lecture at the Central Bank of Sri Lanka in 2003.

Today's challenge

Today, an unending sequence of efforts to negotiate consensus texts when views have not changed must leave UN delegates fully exhausted. The lack of trust, as expressed at the Addis Prep Com, must be palpable, but it also must be addressed. It is doubtful that the "spirit of Monterrey," which took six years to create, can be revived over the six months from the next FfD Prep Com in December to the conference itself. But some effort to try to lessen distrust is warranted.

The plan for the December Prep Com is apparently for the co-facilitators to present an "Elements Paper" for discussion. They have issued a call for inputs to that paper from Member States and other stakeholders, with a request that those proposals be submitted by 15 October. They will post the proposals on the conference website, and they will deliver the paper itself by 15 November. The paper will thus be a first winnowing of proposals, as they will draw from those inputs "potential elements of the Outcome Document." Not everything submitted needs to appear in the Elements Paper, but what does appear "will guide deliberations" at the Prep Com meeting and "the subsequent preparation of the zero draft of the Outcome Document," which is to be issued in January 2025. It must be assumed that the co-facilitators will consult with the co-chairs of the conference and the bureau and more generally with Member States so that the content of the Issues Paper is deemed to largely reflect a consensus on the appropriate scope and ambition of FfD4. Discussion in the December Prep Com could amend that, but once the zero draft appears in January, introduction of new issues or proposals may be difficult, albeit not impossible. The subsequent Prep Com meeting, tentatively scheduled for 10-14 February 2025, would presumably begin negotiations on the text of the prospective Outcome Document.

It is not yet known if or whether the four days of the December meeting will include *substantive* debate on any or all of the proposals contained in the Issues Paper. Assuming it is delivered when promised, delegations will have three weeks to absorb the proposals. If any of them depart from previously negotiated proposals, will that be enough time for cross ministerial or cross country thinking about them? Will it be worthwhile for Member States to send experts from capitals to represent them or from their representations at the Bretton Woods institutions? Will governments be stating negotiating positions or engaging on content? Will there be opportunity to consider links among issues that appear in separate chapters of the Addis Agenda, such as regarding the coherence of matters of trade, finance and tax cooperation?

Probably the only opportunity to consider FfD issues before the December Prep Com will be the scheduled day of multi-stakeholder hearings on 28 October. One can be sure that the proposals submitted two weeks before by some of the stakeholders selected to address the Prep Com will get a hearing then, although those proposals will not necessarily be among those selected for inclusion in the Elements Paper itself. Moreover, these hearings will likely take the form of earlier similar exercises in which speakers from accredited civil society and business organizations present their proposals and views of recommended reforms in a sequence of panel presentations. The hearings will likely be public and webcast. Unlike hearings in the US Congress and other legislatures, where Members like to perform for the camera in questioning speakers, it is possible that delegations will mainly listen in silence, although some delegates might engage with the panelists. This does not seem to be enough.

Proposal

Member States and other stakeholders deserve more opportunities to engage on at least some of the many issues in financing for development before they start negotiating texts. Indeed, many months of 2024 when such substantive discussions might have begun have already elapsed. Some of those discussions could have clarified and built support for specific proposals. And some confidence-building dialogue on the most difficult issues might have reduced the risk to blowing up the conference itself.

Any such discussions should in any event be informal in nature and if they have agreed outcomes, they should be shared with the Prep Com process as it would increase confidence in the preparatory process. The four co-facilitators could issue an invitation to the FfD community to take the initiative on issues of importance. They could invite Member States or groups of Member States to take that initiative and request the Secretariat to assist them. They could invite Member States, institutional stakeholders, civil society and private sector organizations to organize multi-stakeholder discussions, whether it be on strengthened correspondent banking in Basle, or on special drawing rights in Washington, or sovereign debt legislation in New York or London, or on simplifying aid bureaucracy in Paris, or on trade matters in Geneva, or on a myriad other topics.[6] Member States and other stakeholders undertaking such initiatives would be true "friends of Monterrey."

The discussions could involve many or a selected set of government specialists, institutions and other stakeholders. They might be organized in October or November, but could also be valuable in January before negotiations on the FfD text begin in earnest in February. Indeed, some initiatives could take advantage of the coming Annual Meetings of the IMF and the World Bank on 21-26 October in Washington, or the days following the FfD hearings on 28 October in New York.

The important thing would be to have active substantive discussions about the policy issues themselves, to clarify proposals, discover where differences cannot be breached, in which case FfD4 can only call for continued dialogue. But in at least some cases, it might clear the air and identify middle positions that representatives to relevant forums, including the UN in many cases, could agree to take up under the umbrella of the shared commitment to the FfD coherence process and a revamped multilateralism. In short, it could help give some political momentum to FfD4, to show it was a living process and not a dead body to be buried in Sevilla.

[6] The suggested locations are seats of expertise where relevant stakeholders are likely to have resident missions and offices. If they are all in the North, well that says something about the global economic system, doesn't it?