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No major step forward on development finance without strong countries taking the lead

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Bonn, 24 July 2015. The Addis Ababa Action Agenda is now a reality, having been adopted by the UN Conference on Financing for Development, which concluded in the Ethiopian capital on 16 July. The event was the first of several global conferences this year that are set to establish the framework for a transformative and universal global development agenda for the next 15 years. This agenda is intended to be transformative in bringing about economic and societal development that largely eradicates absolute poverty and social inequality globally, and doing so in an environmentally sustainable way that curbs global warming and conserves our planet's finite resources. It is intended to be universal in that it commits all countries to playing their part in this endeavour by meeting their international obligations and shaping their domestic policy to take account of the global sustainable development goals (SDGs).

Clearly, the agreements reached in Addis do not nearly match this level of ambition. The Action Agenda is little more than an inventory of the processes and recommendations in development finance that have been developed since the first UN Conference on Financing for Development in Monterrey in 2002 and that reflect the current state of the debate. It is certainly commendable to record the status quo of discourse for the national, international, public and private sources of finance. But is it sufficient for creating a financial basis for transformative policies? Are all the countries and the relevant international organisations that will play a key role in implementing the post-2015 agenda clear about what they will do differently from 2016?

If we look back on the last 15 years and ask what role the Monterrey agreements of 2002 have played in development finance, there is reason for scepticism. Until the international financial crisis hit in 2008, the financing landscape during this period had been characterised by largely favourable and stable global economic conditions, coupled with considerable development progress in a number of countries, most notably China. This led to substantial growth in tax revenue, savings, private investment and globally available capital, which also benefited poorer countries.

These favourable conditions are gone for the time being. The International Monetary Fund regularly revises down its growth forecasts for the global economy. The generous and, in many cases, excessive supply of credit by the international financial markets has levelled off significantly. Major emerging economies are finding themselves in a structural crisis, not least due to low commodity prices. With such a critical state of affairs in the global economy as a whole, it is feared that the progress being made by developing countries in catching up with industrialised nations will be halted.

This does not mean, however, that the Addis Action Agenda is irrelevant. It includes many practical action plans, such as measures for curbing tax evasion in developing countries, that could help to improve financing conditions. Implementing these action plans will require a willingness to cooperate on the part of industrialised and developing countries and the public and private sectors, something which necessarily entails the creation of a positive economic climate to provide scope for additional financial resources. The Addis Agenda speaks in grandiose terms of a global framework for financing development post-2015, yet gives little specific indication of how this global framework can be improved.

This is where the G7 countries and the BRICS nations, who each gathered for separate summits ahead of the Addis conference, in Elmau and Ufa respectively, have a particular role to play. While these countries had a seat at the negotiating table in Addis, they had little to say regarding their role in the world economy and their corresponding responsibility for the global trade, investment and financial system. However, the prospects of success for the new transformative and universal development agenda hinge upon the domestic policies of these nations and on their ability and willingness to cooperate with other countries. Without the cooperation of these nations, it will be impossible to resolve issues relating to financial market regulation, the international monetary system, the restructuring of the energy system and the role of multinationals in a sustainable global economy.

Nonetheless, the G7 and BRICS countries will convene regularly for their own smaller meeting, where they will face the challenge of addressing their responsibility for implementing the post-2015 agenda. Their next opportunity to do so will be at the G20 summit in Antalya in November, shortly after the UN General Assembly ratifies the new SDGs. The G20 Presidency will then pass to China in 2016 and Germany in 2017. Surely this is an opportunity for both countries to assume a leading role in implementing the post-2015 agenda.