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FINANCING SUSTAINABLE DEVELOPMENT – ACTORS, INTERESTS, POLITICS

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INTRODUCTION

By: Adam Moe Fejerskov

What would the outcomes of 2015's crucial high-level conferences in Addis Ababa, New York and Paris have looked like if the world's wealthiest countries did not know they were rich, and the least wealthy that they were not? Last year was a year more suited for recalling the work of the American philosopher John Rawls than any in a long while. In his theory of the social contract, Rawls developed the notion of the original position, a hypothetical situation in which individuals were asked to draw up a set of principles governing the society they were assumed be living in without having any knowledge of the status of citizen they represented, either rich or poor. Having to choose such rules for society rationally behind a 'veil of ignorance', thanks to which no one knew their status in society and thus not what immediate interests they had to protect, would almost always mean the adoption of a set of principles of justice that treated all people equally.

Such, of course, is not the state of the world today. We know very well who is rich and who is poor, whose voices are likely to be heard at UN negotiations and whose are likely to be drowned out by the noise of more powerful actors. Last year's high-level UN meetings illustrated this, with negotiating blocs keeping a tight grip on their individual positions, holding on to their points of reference and interests, and not moving too much in any particular direction. To a certain extent the UN once again became a place where grandiose texts could be adopted, but also a place with only a marginal ability to discipline or interfere in the domestic politics of any member state. On the other hand, the balance of solidarity is open to interpretation, and the prevailing conclusion seems to be that the world stood at a historic crossroads in 2015 and that it did not fail, but instead adopted some of the most radical texts in the history of global cooperation. Compared to the formulation of the Millennium Development Goals (MDG), the negotiating processes of the past year were also some of the most inclusive and open we have ever seen, facilitated by a determined UN for which failure to reach agreement was never an option.

While much attention has necessarily been paid to the construction of a new global framework for financing development within the negotiations to achieve the Financing for Development (FfD) and Sustainable Development Goals (SDG), the majority of research has either targeted policy-makers in a narrow, technical sense or focused on the opinions of traditional western donors. Much less attention has been devoted to the perspectives of alternative actors and governments in the Global South on these processes and what they imply for the governance of these new sources of financing and the role of traditional donors. Starting out from this context, the report attempts to discuss some of the modes of thinking and opinions that inform these different actors and their positions, thus uncovering avenues to both agreement and discord.

This DIIS Report therefore discusses what financing for development will look like in the future, but it does not take a narrow economic position as its point of departure. Rather, it attempts to provide insights into stakeholder perspectives through what we can call a political economy of financing for development lens in order to provide a set of different perspectives to existing ones. Instead of asking how much is needed to finance development in the future, from what actors we can expect what amounts of funding, and at what thematic areas such financing should be targeted, we pose questions about how these actors see their own roles in relation to these agendas and what interests of theirs can be identified. We do this because such an approach reflects the strength of research at the Danish Institute for International Studies and because we believe it to be lacking in the larger picture of discussions on the SDGs and financing for development. Most importantly, however, we do it because deeper insights into such matters will help us to acquire a more comprehensive view of the complex matter of financing for development.

All the way through not just 2015, but more than half a century of development cooperation, this central issue of financing for development has recurred. How do we mobilize funds for development from public and private sources in a coordinated and efficient way? Which institutions and structures, but also which policies and international agreements, should govern these activities and take them forward? The FfD international conferences under the UN, with its agreements at Monterrey (Mexico) in 2002, Doha (Qatar) in 2008 and Addis Ababa (Ethiopia) in 2015, have been the central track for intergovernmental negotiations over this matter. While the first two conferences occurred during the reign of the MDGs, last year's conference in July took place in the shadow of the SDG high-level meeting during the UNGA in September and under the weight of heavy expectations from all corners of the world because of the substantial financing needs of the still to be decided SDGs.

Despite significant progress in the life of the MDGs from the beginning of the millennium until today, serious gaps in regional improvements mean that hundreds of millions of poor people are being left behind. The last UN report on progress on the MDGs (2014) tells the story well: gender inequality persists, as women remain at

a disadvantage in the labour market and gender representation in public and private decision-making remains unequal; large gaps exist between rich and poor households and between urban and rural areas; climate change and environmental degradation are undermining the progress achieved, with, for example, more than 40 percent of the world's population suffering from water shortages; conflicts remain the biggest threat to human development, with 2014 seeing more than 60 million people forced to abandon their homes (the highest recorded level since the Second World War) and with children accounting for half the global refugee population; and finally, 800 million people still live in extreme poverty. All of these troubling issues are not just global in nature – they can be felt locally in all the world's countries.

Likewise, demands regarding the future financing for development are quite clear. If we continue with 'business as usual' until 2030, the number of people living in extreme poverty will still be around 500 million, and in sub-Saharan Africa the absolute number will have increased (Greenhill et al. 2015). Unsurprisingly, substantial funds need to be mobilized if we are to meet all seventeen goals on the SDG agenda: somewhere between 5 and 7 trillion dollars will be needed annually, and already from 2016 we will be 2.5 trillion dollars short (UNCTAD, 2014) of what is needed if the entire SDG framework is to be completed. With ODA's slow pace of growth and declining interest from donors in reiterating such commitments, funding is unsurprisingly expected to come from many other sources. According to some, concessional international public finance (mainly ODA) is only expected to represent a fraction of funding over the fifteen years of the new SDGs, somewhere around 15-20 percent, with resources being mobilized internally in developing countries, mainly through taxation, as well as non-concessional forms of public and private flows, which are expected to represent the great majority of funding (Oxfam, 2015). Before discussing the different contributions of the report, the road to where we are today in terms of the SDGs and financing for development will be set out.

From the MDGs to the SDGs and beyond

Initially, the MDGs were not the success or guiding light we consider them today. Though building on the beautiful Millennium Declaration, they were developed in the basement of the UN's headquarters in New York by a group of white men with little intervention from the rest of the world. And it was not until the 2005 Millennium+5 conference they really began achieving traction in the development environment and among UN member states. From there, of course, it has been a remarkable story of how a set of goals, albeit constructed in the fairly exclusive manner mentioned above and often criticized for representing a narrow and reductionist comprehension of the complexity of development, could bring together the world's governments and civil society around a common undertaking and retain momentum for fifteen years. In light of how many international agreements are gone and forgotten a year after their adoption, this was an impressive feat.

The success of the MDGs has first and foremost been in spurring and retaining momentum around a set of measurable ambitions for action on poverty, education, health, gender equality and sustainability. Actual progress on the individual goals has been mixed at best, greatly uneven across both targets and regions. The vast majority of Asian and Latin American countries have achieved good results, mainly driven by significant economic growth, while Sub-Saharan Africa and Oceania have made much less progress, though they are also the regions with the least favourable initial conditions (lowest starting point). On targets, those on extreme poverty, access to safe drinking water, and gender equality in primary and secondary education have been or are close to being met, while most other targets on education and health will not be met.

On 27 September 2015, the 70th session of the UN General Assembly adopted a new set of SDGs under the title Transforming our World: The 2030 Agenda for Sustainable Development, and on 1 January 2016 they replaced the MDGs, whose term had expired. Unlike the MDGs, which had been drawn up in a closed room of OECD-country representatives who did not conduct any consultations with the outside world, the SDG process has been a truly all-inclusive negotiation open to governments, civil society, academia and the business community. Inspired by the sustainability focus of the Rio (1992) and Rio+20 (2012) conferences, the UN General Assembly adopted a universal, comprehensive and exceedingly ambitious framework of 17 goals and 169 targets, covering social, economic and environmental aspects, and requiring unprecedented improvements in human welfare and in the protection of the environmental needs of present and future generations in order to succeed.

The intergovernmental negotiating process was mandated by the UNGA in September 2013 and was asked to bridge the Rio+20 sustainability agenda with post-2015 development, thus connecting these two processes to provide a single outcome, universal in nature. The Open Working Group (OWG), established after the Rio+20 summit, was asked to prepare a report for the 69th session of the General Assembly setting out a concrete framework of goals and targets. On 8 January, UN Secretary-General Ban Ki-Moon formally presented the report The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet to

member states. Intergovernmental negotiations on the SDGs were conducted from January to August 2015 at UN Headquarters in New York. The negotiations moved from initial stocktaking of governments' views on the agenda to the different parts of the agenda, including the declaration component of the outcome document, the roadmap for creating the indicator framework, the link to the FfD3 meeting in Addis Ababa, and goals and targets. Once that point had been reached, the zero draft and the outcome document itself were drawn up. The eighth and last negotiating session was extended for two days as member states attempted to bridge their differences on several contentious issues, while also concerning themselves with the perhaps more difficult question of 'how' as opposed to just the 'what'. Agreement was finally reached on the evening of Sunday 2 August, though with some last-minute lack of transparency and some negotiating behind closed doors weakening the overall feeling that it had been an inclusive process.

Without conducting a full-scale analysis of the Agenda 2030 outcome document, it is safe to say that we are dealing with a breathtakingly ambitious framework that will guide global economic, social and environmental efforts for the coming decades. The integration of two disparate tracks (one being what was then considered the Rio+15 and Post-MDG tracks) into one coherent outcome is in itself an accomplishment justifying diplomatic bragging for years to come. Just as impressive are the preamble and declaration, something that also kept negotiations alive till the end, as member states were suddenly faced with having to agree to the 'why' and the true meaning of all their collective efforts. Outlining a vision for the future while pledging that 'no one will be left behind', the preamble and declaration function as an aspirational call-to-arms for all those who will be involved in implementing the agenda. The framework has naturally not avoided criticism for some of its weaknesses of language, with, for example, key points often being dealt with in legally weak and non-binding language, such as the member states' 'wishes to see the goals and targets met for all nations and peoples and for all segments of society', as opposed to their 'committing' themselves to these goals and targets. Similarly, there are no proposals to address the unequal distribution of power among income and social groups, despite a few references to 'income inequality'; there is a lack of attention to the necessity for national and international tax reform; there is too much emphasis on voluntary review and follow up, with no concrete mechanisms for meaningful participation (e.g. national stakeholder reports); and lastly the title of the agenda is in itself still an object of discussion, with 'sustainable development' at its core remaining a concept whose exact meaning has still not really been decided.

The SDGs nonetheless have the potential to radically transform the lives of hundreds of millions, if not billions, of people. However, financing the goals remains the big elephant in the room as we move from the former FfD paradigm of northern donors and southern recipients to a muddled picture of sources coming from all corners of the North-South and distinctions between public and private. As new and old actors with substantially different capacities, positions and values meet and are expected to cooperate in a complementary fashion, the understanding of FfD as a political, not technical agenda only increases.

Financing the future

The Financing for Development conferences in 2002, 2008 and 2015 represent a specific negotiating track under the auspices of the UN. The initiative for the first FfD conference was taken in 1997, when the UN General Assembly adopted the Agenda for Development, which called for an international conference to be held on financing for development. A Working Group was established to suggest the scope and form of the conference, and a recommendation was made to host an intergovernmental event that would address national, international and systemic issues relating to FfD. The first FfD conference took place in March 2002 in Monterrey, Mexico, at which the Monterrey Consensus was adopted, focusing on the mobilization of domestic and international resources, trade and debt, international financial cooperation and systemic issues, including the coherence of the international monetary system. A decision was taken in January 2008 to hold a follow-up and review conference of the implementation of the Monterrey Consensus in Doha, Qatar, in November and December of that same year. The conference ended up taking place in the middle of the global economic crisis, and not much more was achieved than a reaffirmation of the Monterrey Consensus and an important global call to maintain aid commitments despite global economic uncertainty.

As 2014 began, the UN General Assembly decided that the FfD3 conference should be held in July of what was shaping up to be a crucial year for the world – 2015. As negotiations began in January 2015, the difficulties of the co-facilitators' task of reaching a consensus quickly became evident. The most contentious issues were whether or not the FfD conference should address the SDGs that were to be adopted in their entirety or remain in line with earlier conference outcomes and focus mainly on development issues in a narrow sense, as well as on taxation and the question of responsibility through the principle of common but differentiated responsibility (CBDR). The third drafting session from 15-22 June was extended all the way until 7 July because of conflicts of opinion, and in a desperate but inevitable move it was

decided that the text should be considered further at the conference itself, only less than a week later. As the G77/China group had decided to leave the question of CBDR and their problems with linkages to the post-2015 process behind them and pursue them elsewhere, tax became the main contentious issue at the conference. G77/China insisted on upgrading the UN Tax Committee to an intergovernmental body that could facilitate inclusive discussion on tax norms, but the rich countries refused, pointing out that such discussions were already taking place in the OECD (where the political influence of developing countries is far weaker than in the UN). Eventually, a compromise document was adopted reflecting the declining role of ODA and the growing significance of the private sector and domestic resource mobilization, with tangible results including the technology facilitation mechanism, which is meant to support the development and transfer of sustainable technologies to developing countries, as well as a global infrastructure forum in which investors can meet and share best practices across institutions. The actual impact of the outcome can be questioned, and the US itself noted during the conference that the commitments made in the document do not create any new obligations under international law. However, the document does represent a few major achievements (see Engberg-Pedersen, this report), of which maintaining the momentum in the SDG and climate change negotiations seems to have been the greatest. The negotiating process itself, however, seems to leave much to be desired in terms of accountability and openness, as, unlike the SDG negotiators' use of plenary discussions, it saw the co-facilitators carry out informal bilateral discussions and collect individual reservations before a clean text was produced for every new starting point.

The FfD3 process and outcome is testimony to a general trend that sees the balance between public and private responsibilities gradually shifting, not least as donors attempt to tone down the importance of ODA while pushing the responsibility for financing development towards the private sector. The ODA-providing countries are heralding the private sector as the key actor in financing development and the SDGs over the coming decades. Private investment and commercial activities are key components of the economy of any country in the world, but little is known about the actual interest and volume of funding available from the private sector in providing financing for development. Only if the first and foremost interest of private firms, the potential for profit, is capable of being satisfied can we assume a minimum level of engagement, and there are very few regulations or safeguards in place to ensure that investments made in the name of the SDGs actually benefit the poorest and are economically and environmentally sustainable. Institutional investors such as pension funds sit on top of enormous funds, but despite certain pledges and pilot investments in, for example, green technology ventures, they have yet to pledge anything more than a fraction of their investments to SDG-related areas. There is huge potential in the private sector to fund sustainable development, but corporate-led solutions to global problems are likely to face issues of weakening representative democracy, unpredictable and unstable funding (not necessarily any different from public donors), the blurring of lines of accountability to the public and other pertinent issues (see Munk Ravnborg, this report). It is not necessarily a bad thing for private companies to deliver services in developing countries that would otherwise have been public, but resources from the obstruction of tax-avoidance schemes and a strengthening of local taxing capacities and financial management are likely to be able to cover many such funding gaps.

The contribution of the report: understanding stakeholder perspectives

The report does not present an all-encompassing examination of all the relevant actors or perspectives represented in the complex landscape of financing for development, but it does provide insights into several different issues and actors that are not fully addressed elsewhere while reflecting the competencies of DIIS research. These issues include relations between new and traditional actors; the entry of the first group into the field of financing for development and their links to global political agendas; private investments and the relationship of the private sector to the global agenda for financing the SDGs; the domestic politics behind government positions being taken forward at the international level; and the repackaging of old relationships between governments and donors.

Lars Engberg-Pedersen commences the thematic chapters of the report by analysing the tangible Addis Ababa Action Agenda and comparing it with the two earlier agreements in the FfD track, the Monterrey Consensus (2002) and the Doha Declaration (2007), in order to determine whether the AAAA breaks new ground or simply reflects business as usual, and whether old issues are now being framed or emphasised differently. He finds significant changes between the different outcome documents of the three agreements, including a much stronger focus on sustainability, domestic public resources and private capital, as well as a broadening of the field of financing for development. Yet this is complemented by a significant focus on public policies and regulatory frameworks as opposed to earlier neoliberal ideas of economic reform.

Adam Moe Fejerskov discusses the attitudes of private foundations to the SDGs and the post-2015 financing for development regime, arguing that some foundations are increasingly displaying an interest in converging with the global agendas being promoted by the UN. The vast majority of foundations, however, still consider agreements such as the MDGs or the SDGs as having been made by governments for governments. As a result, many foundations regard adhering to these agreements and giving up even the slightest bit of autonomy a concession they are unwilling to make, despite knowing that this will increase their impact by furthering complementarity and cooperation while potentially avoiding fragmentation.

Helle Munk Ravnborg explores the increasing importance and attention given to private flows for development by looking at experiences with private-sector involvement in the water sector. Using the examples of Ecuador and Paris, she stresses the need for the public regulatory frameworks and governance instruments that are so crucial in ensuring the full transparency and accountability of private investments to the public, particularly when they involve public resources, whether financial or physical assets.

Yang Jiang addresses China's double identity of simultaneously being a developing country and a provider of resources for especially South-South cooperation by focusing on its aid and investments in overseas infrastructure. She argues that their complementarity with SDGs will depend on a set of conditions, institutions and rules that need to be laid down in order to avoid problems that are characteristic of China's own infrastructure projects. These conditions concern the environmental sustainability (and thus far the lack thereof) of such investments, the working conditions and the displacements of populations that have been recurrent issues in Chinese infrastructural investments, the inability of these to trickle down to poorer groups, and the issue of having investments spill over to other sectors and stimulate sustained growth.

Mikkel Funder addresses the important question of the role of domestic politics and interests in climate and development financing in African countries. Through an analysis of the position of African governments in the FfD and UNFCC negotiations, he discusses the specific interests of Zambian policy-makers in climate financing. He concludes that, even though private investments may eventually be mobilized, developed or BRICS countries should not consider themselves 'off the hook': there will still remain a sustained need for public climate financing to ensure that adaptation is not underfunded. African governments should also continue substantial work to mobilize their own financing, using global agreements as important frameworks to do so.

Neil Webster focuses attention on the crucial topic of managing development finance and the need to secure the optimal use of committed resources. Reviewing the AAAA, he finds that, while the terminology used sends a positive message, the lack of details, the interests of the actors involved and the somewhat problematic history of the public financial management of development funds means that it represents a commitment of funds rather than a commitment to achieve their effective and efficient use. Considering what will be needed to handle the implementation of the SDGs effectively, he identifies more data, better monitoring, the use of benchmarking and clear reporting, as well as expanding the set of stakeholders involved in financial management.

Collectively, the chapters accentuate the political nature of financing for development, something contemporary discussions of this issue tend to overlook in favour of the technical or procedural aspects. By uncovering and discussing the viewpoints and positions of key stakeholders beyond traditional donors, we challenge the sometimes taken for granted notion that these actors have an indisputable interest in participating in global agendas such as the SDGs or the FfD track, essentially adhering to global norms of international development cooperation.

Final remarks

Agenda 2030 and the SDGs represent a historic agreement with ambitions many times greater than the MDGs. Their exceedingly comprehensive scope and breadth are a testimony to the way we should perceive development today. Development is not only a matter of poverty reduction or the MDG's heavy reliance on education or health issues, pursued as a matter of rich countries in the North providing financial resources to poor countries in the South. The development challenges of today are universal and concern all forms of economic, social and environmental progress in an integrated manner, just as they concern all corners of the world. Income inequality or unequal access to health, education and jobs is as much a concern in Great Britain as it is in Gabon.

Perhaps the greatest challenge will be to move the SDGs from the realm of diplomatic negotiations in the UN to those responsible for implementing the agenda at the national levels. This is a daunting task where countries need to work with

three simultaneous timelines of 2030, 2020 and immediate delivery, where we have learned from the MDGs that we cannot afford a time lag and only get underway a few years into the agenda's life, and where the pledge to leave no one behind will require dramatic changes to the ways in which the poorest and most vulnerable groups are reached. The SDGs are only likely to succeed if they can be integrated into national planning and policy, and there will always be the risk of countries picking and choosing only some of the more easily achievable elements and targets. We cannot be satisfied with the achievement of only a handful of the SDGs, and just as they were negotiated as a coherent framework, so they should be pursued as one. The universality of the agenda is unquestionable.

As the challenges of development are universal in nature, so too must be the solutions and contributions to overcoming them. The idea of universality in the context of our knowledge of the world's development in past decades and the outcomes of the high-level meetings leaves us to rethink core ideas of global cooperation such as responsibility and accountability, and it makes fluid otherwise stable perceptions of providers/receivers, private/public and developed/developing. Who will be the actual recipients in the future, and who should provide the resources to realize sustainable development? If we truly adopt the universality perspective of the SDGs, the answer is all of us. This does not mean that we are all expected to contribute equally to solving global issues or that we all should benefit equally from different resource flows, but it does evoke the important notion that we are all in this together.

Thus we all have a responsibility when it comes to financing development in future decades. Coming up with the astonishing amounts of funding needed to achieve the SDGs will require action far beyond the nearly defunct international public financing. We need to mobilize the private sector, institutional investors, private foundations, MICs, civil society, global multi-stakeholder partnerships and the domestic resources. Governments in the South are no longer, if they have ever been, just recipients. They funded 77% of the MDGs themselves and are as much investors as anyone, if not more so, and there is an expectation that they will contribute just about the same percentage of the SDGs.

With everyone having a role to play in financing, it may be a cause of concern that the task of following up and reviewing progress towards meeting the SDGs will apparently be given to the UN's High Level Political Forum, a hybrid forum falling under the auspices of both ECOSOC and the UN General Assembly. The intergovernmental nature of the HLPF will entail the presence of only UN member states and not any of the other actors present during FfD conferences, for example, while its voluntary nature is likely to mean that monitoring and review will in practice take the shape of knowledge- and experience-sharing as opposed to actual control over progress.

'The world has changed' seemed to be the grand narrative of the European Union during the FfD negotiations of 2015, largely with a view to pushing some of the financing obligations towards the private sector and the better off middle-income countries. Indeed, international public finance does not represent the most important source of financing for development, and the private sector has a crucial role to play in investing in the developing world. Nevertheless, a changing world should not mean carte blanche either to tone down international public finance commitments or to provide the private sector with an boundless enabling environment in which they can invest and act as they see it fit. ODA has a fundamental role to play in securing financing for the poorest countries (especially the LDCs) over the coming decades, those countries to which private investments do not flow because of political, economic or social unrest. And we must remember that, in the context of today's world, financing for development through ODA should not be considered an altruistic endeavour but rather a foreign policy that helps us create a world free of poverty and environmental problems, something all countries on the planet will benefit from. Likewise, we will continue to need clearer lines between those who regulate and those who are regulated to make sure that the increasing reliance on the private sector becomes a gift to the world's poorest, not a curse.

The adoption of agreements in Addis Ababa, New York and Paris was the end of the beginning of a long journey that will hopefully see us faced with a more equal and sustainable planet in 2030, one in which extreme poverty is a thing of the past. In the remaining chapters, the reader will gain an insight into the policies, minds and interests of some of the many actors that will be playing a fundamental role in the complex and challenging task of financing sustainable development.

The Addis Ababa Action Agenda:

BREAKING NEW GROUND, INCREMENTAL CHANGES, OR NEOLIBERAL BUSINESS AS USUAL?

By: Lars Engberg-Pedersen

The Addis Ababa Action Agenda (AAAA) is the outcome document of the Third International Conference on Financing for Development and as such is the third time the international community has agreed on how development across the world should be financed. The first occasion was the conference in Monterrey in 2002, which was followed by a second in Doha in 2008. Accordingly, it is only within the last fifteen years that the international community has decided to discuss development financing at an international level. Among other things, this is probably linked partly to the adoption of the Millennium Declaration and its associated Millennium Development Goals, and partly to an increasingly widespread understanding that the financing of development can no longer be decided discretely by individual rich countries. One aspect is that the world is divided less and less between a group of poor and a group of rich countries; another is that development is progressively seen as a global public good which benefits all countries. This suggests a need for international agreement on how development should be financed.

This contribution analyses the AAAA in an attempt to assess whether it breaks new ground, is merely a case of business as usual, or reflects a position somewhere in between. I expect changes to have taken place partly because thirteen years have passed by since the Monterrey conference, with many political and economic changes having taken place in that period, and partly because the decision to organise the Addis Ababa conference presumably reflects a need to develop the proposals put forward in the Monterrey Consensus (MC) and the Doha Declaration (DD). The present analysis focuses on changes in the three outcome documents and covers neither the process leading to the AAAA nor the reactions and views of different actors. A more comprehensive analysis would, of course, include these dimensions. Moreover, I acknowledge that there is a very long path from text to action, particularly for such a non-binding outcome document as the AAAA. Nevertheless, the wording and the contents of the AAAA still have relevance for how financing for development is likely to be organised in the years to come, as norm creation at the global level is a cornerstone of political and power struggles over both global and national development.

There is one more piece of background to this analysis, namely the Washington Consensus. This term has been used to refer narrowly to ten principles for the recovery of economies listed by John Williamson in 1989[1] and more broadly to neoliberalism as a whole. The central elements in the consensus are here taken to be the liberalisation of trade, the privatisation of state enterprises and services, and the deregulation to facilitate market competition. Some have argued that the Washington Consensus petered out around 2000 (Rodrik 2006), others that it was effectively buried during the financial crisis of 2007-8. Yet, it is also argued that neoliberal ideas still characterise, for example, the operational departments of the Bretton Woods institutions,[2] and generally that they are as important as ever (Crouch 2011; Mirowski 2013). A recent comment declaring that 'Neoliberalism is alive and kicking' continued: 'Neoliberal economic reforms are not the wonder cure for all. There are opportunities as well as dangers. Nevertheless, the examples of Central and Eastern European countries have shown that when there is a need for fast systemic changes to the economy there are no better tools available today' (Schuster 2015) The present analysis seeks to clarify the extent to which the AAAA is part of a neoliberal discourse or, more precisely, the extent to which it breaks with this discourse.

The analysis explores the extent to which new issues can be found in the AAAA compared to the MC and DD and whether old issues are being framed or emphasised differently. Counting particular terms is used as input into this discussion. The analysis is organised into three sections, on the composition of the documents, the suggested general framework of financing for development and the specific action areas involved respectively. The conclusion discusses the nature and extent of the changes in the AAAA compared to the earlier documents.

The composition of the documents

The three documents on financing for development are largely organised in the same manner, with a first general section outlining the global framework for development financing and a second general section on action areas. The latter section is then divided into subsections on domestic resources, international resources, trade, external debt and systemic issues. A section entitled 'Staying engaged' in the MC and the DD and another on 'Data, monitoring and follow-up' in the AAAA ends the documents. There is only one slight change to the composition from the MC to the DD, as the DD includes a subsection on other new challenges and emerging issues. These have to do with climate change and volatility in commodity and energy markets, issues that were not discussed in Monterrey.

While basically composed in the same way, the AAAA differs from the earlier documents in two ways. One is that private capital is discussed in one subsection, instead of being separated into different subsections on domestic and international

resources. Thus, the AAAA distinguishes more strongly between public and private resources than between domestic and international resources, although there are still different subsections on domestic and international public resources. The second difference is that the AAAA includes a subsection on science, technology, innovation and capacity-building, issues that were hardly discussed in the earlier documents. These changes reflect both a broadening of the field of financing for development and a relative downplaying of foreign aid, which, however, now has a significant role to play in relation to climate change and not just economic and social development.

In terms of composition, the greatest difference between the three documents has to do with size. The Monterrey Consensus contains 73 paragraphs and 7267 words, the Doha Declaration 90 paragraphs and 12119 words, and the Addis Ababa Action Agenda 134 paragraphs and 19072 words. This equals an increase of words by 67% in the DD compared to the MC and by 57% in the AAAA compared to the DD. Some of these increases have to do with the political need to refer repeatedly to particular actors and subjects, but they also reflect increasing recognition of financing for development as a rather wide and still widening field. Moreover, the level of detail is sometimes quite astonishing, as when it is specified that an online platform linked to a technology facilitation mechanism should 'facilitate the dissemination of relevant open access scientific publications generated worldwide' (AAAA, §123). While such details may follow from the nature of UN negotiations and may derail the attempt to provide a general policy orientation, they probably also reflect increased attention being given to the discussion of financing for development, with more actors seeking to have their various concerns reflected in the document. Accordingly, the inflated size of the AAAA in terms of words may bear witness to a widespread perception that global norm-setting is increasingly important.

The framework

The overall outline of the goal, the context, the solutions and a set of cross-cutting areas provides a remarkably broad framework in the AAAA compared to the earlier documents. In terms of the goal, the ambition 'is to end poverty and hunger, and to achieve sustainable development in its three dimensions' (AAAA, § 1), a statement followed by references to human rights, gender equality, peaceful and inclusive societies and an equitable global economic system. The MC states (and the DD echoes it): 'Our goal is to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system' (MC, § 1). Thus, inclusiveness and equity are not new in the AAAA, but human rights, gender equality, peace and sustainability are emphasised much more strongly as goals. Is this anything but window-dressing? Possibly not, but the implication is that financing for development is no longer the remit of economists exclusively.

The description of the context has also changed, as was already happening in Doha. The central context highlighted in the MC was globalisation and the international economic environment. The DD extended this significantly by emphasising the 'multiple, interrelated global crises and challenges, such as increased food insecurity, volatile energy and commodity prices, climate change and a global financial crisis, as well as the lack of results so far in the multilateral trade negotiations and a loss of confidence in the international economic system' (DD, § 3). To this, the AAAA adds that '[i]nequalities within many countries have increased dramatically', that women, indigenous peoples and the vulnerable often remain excluded from political processes, and that 'conflict, natural disasters and disease outbreaks spread rapidly in our highly interconnected world' (AAAA, § 4). The complexity of the context in which development should be financed is perceived to increase steadily, which goes hand in hand with the broadening of the approach to financing for development.

While goals and contexts may be described in order to legitimise particular ambitions, suggested solutions are closer to concrete policies. Even in a section outlining the general framework, solutions may therefore indicate better whether changes are at issue. In the MC (basically reaffirmed in the DD) a call for 'a new partnership between developed and developing countries', which indicates a bifurcated perception of the world, is followed by this phrase:

> "We commit ourselves to sound policies, good governance at all levels and the rule of law. We also commit ourselves to mobilizing domestic resources, attracting international flows, promoting international trade as an engine for development, increasing international financial and technical cooperation for development, sustainable debt financing and external debt relief, and enhancing the coherence and consistency of the international monetary, financial and trading systems. (The Monterey Consensus §4)"

This is partly a summary of the subsequent discussion of concrete initiatives and partly a reference to what were then believed to be 'sound policies'. Although the term to some extent conceals more than it reveals (anything goes, as no one would pursue unsound policies), it seems to have been referring to a relatively specific set of policies.

In a document entitled 'Supporting sound policies with adequate and appropriate financing' (World Bank 2003), sound policies are described as reflecting a high score on the Bank's Country Policy and Institutional Assessment (CPIA) index (see footnote 5 in the document). Two of the sixteen criteria of this index advocate trade liberalization and extensive deregulation of business environments (World Bank 2011). Thus, sound policies and neoliberal policies were closely related in the early 2000s.

Having described the 'considerable challenges' that many countries face, the AAAA states:

> "Solutions can be found, including through strengthening public policies, regulatory frameworks and finance at all levels, unlocking the transformative potential of people and the private sector, and incentivizing changes in financing as well as consumption and production patterns to support sustainable development. (The Addis Ababa Action Agenda, § 5)"

Though clearly a very general statement celebrating all imaginable actors, this is far from being neoliberal rhetoric emphasising deregulated markets or 'sound policies' as the way to finance development. First, public policies and regulatory frameworks should be strengthened at all levels. Second, there is no reference to an abstract market, but instead to the private sector as an actor of transformative change. This does not, of course, contradict neoliberal views, but it emphasises a different aspect of the economy than the concern with market equilibrium. Third, the sentence points to changes in consumption and production patterns which will require substantial market regulation. This proposal relates closely to the declaration adopting the seventeen Sustainable Development Goals, in which the leaders of the world 'commit to making fundamental changes in the way that our societies produce and consume goods and services' (§ 28). The AAAA talks about a 'shift towards sustainable development and poverty eradication' (§ 5), and this involves a change of preferences, not preference satisfaction. All in all, this suggests that the transformative potential of people and the private sector is currently locked, but also that it can be unlocked through strengthened public policies and regulation directed at changing existing consumption and production patterns, which are blocking sustainable development. The solution in the AAAA is regulation rather than deregulation or 'sound policies'. Moreover, with the focus on changes in consumption and production patterns, the text addresses the rich countries to a much greater extent than the MC and DD did.

The AAAA also introduces a set of cross-cutting areas in the description of the framework. These include:

- Delivering social protection and essential public services for all
- Scaling up efforts to end hunger and malnutrition
- Establishing a new forum to bridge the infrastructure gap
- Promoting inclusive and sustainable industrialization
- Generating full and productive employment and decent work for all, and
- promoting micro-, small and medium-sized enterprises
- Protecting our ecosystems for all
- Promoting peaceful and inclusive societies (AAAA, §§ 12-18)

This rather diverse list of issues is likely to reflect those forces that are seeking to direct financing for development towards social development and poverty eradication, as well as concrete economic constraints in poor countries. It specifies what the overall goal of poverty eradication and sustainable development means in a financing-for-development perspective. Although the text repeats the point emphasised in the MC, that '[e]ach country has primary responsibility for its own economic and social development, and the role of national policies and development strategies cannot be overemphasized' (MC, § 6), the cross-cutting areas challenge this view. This seems to be an attempt by certain actors to strengthen global norms in relation to national policies.

Action areas

Regarding domestic public resources, the most notable differences between the MC and the AAAA are the relative downplaying of sound macroeconomic policies and good governance and the significantly strengthened emphasis on tax, tax cooperation and the combating of illicit financial flows. New are paragraphs on gender equality, fossil-fuel subsidies, non-communicable diseases and municipalities, again enlarging the field of financing for development. However, a key issue seems to be tax avoidance, which is thoroughly condemned. The document states: 'We will make sure that all companies, including multinationals, pay taxes to the Governments of countries where economic activity occurs and value is created, in accordance with national and international laws and policies' (AAAA, § 23). Though the last nine words could be interpreted as a watering down of the message, it is difficult not to see this point as a major departure from existing practices. The Washington Consensus has never taken any notice of tax avoidance,

and its concern with deregulation has not led it to insist on multinational enterprises reporting on a country-by-country basis to the tax authorities (AAAA, § 27). The MC and the DD are silent on this issue, although the DD highlights the need for tax reform in a separate paragraph (DD, § 16).

Table 1. Frequency of use of selected terms
(in absolute numbers and per thousand words)

	Monterrey Consensus		Doha Declaration		Addis Ababa Action Agenda	
	Number	‰	Number	‰	Number	‰
'regulate' – regulation, regulatory frameworks and authorities, regulators, unregulated activities, etc.	5	0.7	10	0.8	30	1.6
'attract' international resources	4	0.6	3	0.2	0	0
'liberalization'	6	0.8	7	0.6	1	0.1
'public' – public policies, public services, etc.	17	2.3	21	1.7	65	3.4
'private' – private sector, private actors, etc.	23	3.2	33	2.7	45	2.4
'consumption'	0	0	0	0	8	0.4
'production'	0	0	3	0.2	7	0.4
'human rights'	1	0.1	1	0.1	10	0.5
'gender equality'	1	0.1	4	0.3	8	0.4
'women'	2	0.3	9	0.7	29	1.5
'girls'	0	0	0	0	6	0.3
'peace' – peacebuilding, peaceful	2	0.3	4	0.3	12	0.6

A significant change of emphasis pertains to the private sector. The MC discussed the private sector with respect to its investments and underlined the need to 'attract and enhance inflows of productive capital' (MC, § 21). The term 'attract' was used to signify the inflow of international capital four times in the MC and three times in the DD, but does not appear in the AAAA at all (see Table 1). Instead, the AAAA refers to private business, finance and innovation and highlights private enterprises as actors: 'We call on all businesses to apply their creativity and innovation to solving sustainable development challenges. We invite them to engage as partners in the development process, to invest in areas critical to sustainable development, and to shift to more sustainable consumption and production patterns' (AAAA, § 35). The private sector is as important in the AAAA as it was in the MC, but is viewed rather differently. It is no longer a black box allocating resources to optimize profits, but a diverse set of actors given responsibility as partners in solving global challenges.

Furthermore, the relationship between the public and private sectors has changed. In the MC and the DD, the public sector was basically expected to create an enabling environment for private investments so that businesses could operate efficiently and thereby contribute to development. Private enterprises were, however, called upon to take into account 'the developmental, social, gender and environmental implications of their undertakings' (MC, § 23). The AAAA goes a big step further by stating that the private sector should undertake activities for the common good: 'We will develop policies and, where appropriate, strengthen regulatory frameworks to better align private sector incentives with public goals, including incentivizing the private sector to adopt sustainable practices, and foster long-term quality investment' (AAAA, § 36). Private companies should no longer focus exclusively on profitable activities, but need to contribute to long-term societal aims. Deregulation is not mentioned at all. The AAAA refers to the need for regulation, regulatory frameworks and authorities and for doing away with unregulated activities thirty times, whereas the MC touches upon these issues five times, primarily in relation to the financial sector, and in order to promote and protect investments.

The subsection on international development cooperation in the AAAA does not contain any qualitative changes. It has been enlarged by a discussion of different environmental issues and climate financing, a stronger recognition of South-South cooperation, references to multi-stakeholder partnerships and a description of the different challenges that different countries face. Thus, although the text has been brought up to date, it includes the usual call that developed countries should provide 0.7 per cent of GNI as ODA and should direct ODA towards the least developed countries as much as possible. While this is understandable, given that these

countries are still in need of assistance and that emerging economies have no interest in taking over the responsibilities assigned to rich countries, the lack of innovative thinking here indicates that few have any faith in aid as an important instrument in future development processes. For instance, it is noteworthy that there is no discussion whatsoever of international taxes as an instrument to consider or develop in the future.

Trade was regarded as an 'engine for development' in Monterrey and Doha, and this was also the case in Addis. The number of paragraphs in the MC and the AAAA on trade is the same, namely thirteen, and the basic orientation is the same: 'a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system' (AAAA, § 79) is seen as central for growth, poverty reduction and sustainable development. The need to accelerate WTO negotiations, to enhance market access for the least developed countries and to combat agricultural subsidies and protectionism is accordingly emphasised. Still, some changes can be observed. The term 'liberalization' – central to the neoliberal discourse – is used six times in the MC, seven times in the DD and only once in the AAAA. Moreover, the public interest is underlined in relation to trade regimes: 'We will endeavour to craft trade and investment agreements with appropriate safeguards so as not to constrain domestic policies and regulation in the public interest' (AAAA, § 91). While the MC mentioned the issue of public health in relation to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (MC, § 28), the concern with possible conflicts between the public interest and trade agreements was not signalled as an important issue. On the other hand, the MC mentioned a whole list of 'issues of particular concern to developing countries' (MC, § 28) in relation to trade. The issues on this list are either absent (e.g., abuse of anti-dumping measures and sanitary and phytosanitary measures) or addressed in different paragraphs in the AAAA.

The issue of external debts is treated in basically the same way across the three documents. Borrowing and sustainable debt management are considered to be central in financing for development. A major difference is that the AAAA builds on the experience with the Heavily Indebted Poor Countries (HIPC) initiative, the implementation of which the MC could only call for. Another difference is that both the MC and the DD urge that debt relief be financed through additional resources, while the AAAA does not mention the issue. This clearly reflects reduced ambitions with respect to foreign aid.

In a subsection called 'Addressing systemic issues', the MC forcefully discusses the need for 'global economic governance' (§ 52), 'international financial stability' (§ 55), 'effective and equitable participation of developing countries' (§ 57), and 'the United Nations system as fundamental to the promotion of international cooperation for development and to a global economic system that works for all' (§ 67). Apart from the last point, these issues are repeated in the AAAA, but in a less forceful way. For instance, the MC states 'We stress the need' (§ 62), while the AAAA notes 'We recommit' (§ 106) 'to broadening and strengthening the voice and participation of developing countries' (§ 106). Moreover, the subsequent paragraph in the AAAA begins like this: 'At the same time, we recognize the importance of strengthening the permanent international financial safety net. We remain committed to maintaining a strong and quota-based IMF, with adequate resources to fulfil its systemic responsibilities' (§ 107). Is this to be read as a contradiction between the participation of developing countries and the IMF's ability to carry out its mandate? In any case, the need to strengthen the participation of developing countries and the role of the UN system in global governance does not come out as strongly in the AAAA as it did in the MC.

A final subsection on action areas in the AAAA deals with science, technology, innovation and capacity-building. This is new compared to the MC and the DD. The central argument is that the 'creation, development and diffusion of new innovations and technologies […] are powerful drivers of economic growth and sustainable development' (§ 114). More concrete is the decision 'to establish a technology facilitation mechanism' (§ 123) to support the sustainable development goals. One could easily read this as a diversion from more difficult issues such as concrete financial resources for development, but given the broader conceptualisation of development in relation to global public goods and the ambition to change consumption and production patterns, there is some reason to the argument.

Conclusion

There are notable changes in the AAAA compared to the MC and, for the most part, the DD. Significant, though not paradigmatic changes include a much stronger focus on sustainability; a significant broadening of the field of financing for development; a strengthened emphasis on domestic public resources as well as private capital and dynamism; a concomitant downplaying of international public resources; and a strengthened recognition of the diverse challenges facing different countries. New also are the repeated references to human rights, gender equality and peace. All these and certain other changes can be seen as a relatively straightforward updating of the discussion of financing for development. They

respond to the changes that have taken place in the world since the early 2000s, and although the downplaying of foreign aid has been heavily criticised by poor countries, these resources have always fluctuated in accordance with political and economic trends.

In addition, the emergence of more paradigmatic[3] changes can be identified in the AAAA. The solutions to financing for development suggested in the MC referred largely to ideas contained in the Washington Consensus, the Structural Adjustment Programmes and the Poverty Reduction Strategy Plans developed during the 1980s and 1990s by the Bretton Woods institutions as global norms for economic reform. 'Sound' policies and trade liberalisation were central ingredients in this thinking about how to push development forward. The AAAA focuses instead on public policies and regulatory frameworks that can enable changes to consumption and production patterns that inhibit sustainable development. It also argues that the private sector should integrate public interests into its activities. These suggestions are still not very well developed, so while the MC built upon a huge body of literature and the well-established practices of leading international actors, the AAAA is in much deeper waters. Where the MC consolidated already existing norms, the AAAA is engaged in norm-setting and in challenging old ideas about economic reform. This implies that the AAAA may not last long if it does not receive significant intellectual and political support.

Two other changes may be described as paradigmatic or just pragmatic, depending on one's point of view. The emphasis in the MC on improving the representation and influence of poor countries in global governance has been watered down in the AAAA. Moreover, the Action Agenda does not talk about a strengthening of the UN system as a systemic need. Given the increasing economic importance of middle-income countries and the increasing need for international cooperation in response to various global crises, these two changes are rather surprising. However, they may be nothing more than a pragmatic reflection of the foot-dragging approach adopted by the rich countries on these issues.

Neoliberalism is not dead, and sometimes it may be very much alive and kicking. However, it is important to note whenever it is challenged, side-lined or rejected if one wants to understand how current ideas about development and economic reform are taking shape. The AAAA does not represent a full-blown departure from neoliberalism, but it does contain significant formulations reflecting alternative views of how development should be brought about. Such views are also expressed in the Sustainable Development Goals, where not only is the need to change consumption and production patterns highlighted, but the importance of reducing economic inequalities within and between countries has also gained prominence as a separate goal. These ideas are not neoliberal ones, and they may have gained credibility by the combined effect of the financial and climate crises. World development cannot be left to market forces. These have to be directed towards environmentally, socially and economically sustainable goals.

There is a very long path leading from a UN Action Agenda and Sustainable Development Goals to a Transatlantic Trade and Investment Partnership or national legislation on consumption and production patterns, but global norms can become a cornerstone in development activities if actors make use of them and turn them into arguments in their own struggle for progress. Thus, whether the AAAA reflects the beginning of a normative shift from neoliberal to other ideas about development depends to a very large extent on how diverse actors respond to and employ these norms. Nevertheless, diverse global crises calling for global governance provide stupendous strength to arguments for public policies and regulatory frameworks to ensure sustainable development.

1 The ten principles are (Williamson 1990):
   1. Fiscal policy discipline, with the avoidance of large fiscal deficits relative to GDP;
   2. Redirection of public spending from subsidies toward broad-based provision of key pro-growth, pro-poor services like primary education, primary health care and infrastructure investment;
   3. Tax reform, broadening the tax base and adopting moderate marginal tax rates;
   4. Financial liberalization: interest rates that are market determined and positive (but moderate) in real terms;
   5. Competitive exchange rates;
   6. Trade liberalization: liberalization of imports, with particular emphasis on the elimination of quantitative restrictions (licensing, etc.); any trade protection to be provided by low and relatively uniform tariffs;
   7. Liberalization of inward foreign direct investment;
   8. Privatization of state enterprises;
   9. Deregulation: abolition of regulations that impede market entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds, and prudential oversight of financial institutions;
   10. Legal security for property rights.
2 Robert Wade during a seminar at DIIS, 7 October 2015.
3 The term 'paradigmatic' is problematic because of its diffuse meaning, but it is used here to describe a change of central ideas about how development is brought about.

CHINA'S EXPORT OF INFRASTRUCTURE-LED GROWTH THROUGH FINANCING FOR DEVELOPMENT

By: Yang Jiang

China participated actively in the Third Financing for Development (FfD) Conference in Addis Ababa, having the double identity of both a developing country and a provider of resources to South-South cooperation. In respect of the former identity, China insisted on common but differentiated responsibilities and made a call to enhance the voices of developing countries in global governance. However, it is in respect of the latter identity as a provider of aid and investment that China has the most substantial interest. At the launch of the SDG, Chinese President Xi Jinping pledged to set up a $2bn fund to support South-South cooperation and cancel some of the debts developing countries owe to China. China would also try to increase its investments in the least developed countries to $12bn by 2030. This chapter therefore focuses on a central element in China's South-South cooperation in recent years, namely aid and investment in overseas infrastructure. A general overview of China's activity in this area will first be provided, followed by an analysis of China's agenda in exporting infrastructure and FfD, and finally discussions of its implications for the Sustainable Development Goals (SDGs).

The prominent agenda of exporting infrastructure

Infrastructure features prominently in China's recent economic diplomacy. For Eurasia, Beijing established the Silk Road Economic Belt and the 21st-century Maritime Silk Road (or the Belt and Road) initiative supported by the $40-billion Silk Road Fund. For Asia Pacific, China initiated the $100-billion Asia Infrastructure Investment Bank (AIIB), inviting both developing and developed countries to join. The New Development Bank set up by the BRICS countries is headquartered in Shanghai and has infrastructure as the primary focus of its lending from an initial pool of $50 billion (planned to rise to $100 billion over time). China also contributes to infrastructure aid through the World Bank, Asian Development Bank (ADB) and other bilateral or regional cooperation funds in Africa and Latin America. The Chinese leadership has used frequent state visits to promote Chinese infrastructure products and construction, in particular in railway, high-speed trains, telecommunications, hydropower, wind power, nuclear power and other means of transportation. Chinese official media dubbed Premier Li Keqiang the 'super salesman' for helping Chinese companies sign contracts worth $140 billion in infrastructure and energy in 2014. Chinese media further praises Li for selling Made-in-China 2.0, that is, high-value products instead of cheap labour-intensive products (Gov.cn 2014). The selling points of infrastructure projects include the experiences that Chinese engineers and companies have accumulated over the decades from hard developing country environments, for instance, in well-drilling and water-supply projects, 'despite tough natural conditions and the threat of epidemics and terrorism' (White Paper 2014). China also sells the Chinese success story, a combination of infrastructure, industrial policy and Special Economic Zones. When the Chinese economist Justin Yifu Lin was Chief Economist and Vice President of the World Bank from 2008-2010, he proposed a Global Infrastructure Initiative and promoted China's model as a model for developing countries, including infrastructure-led growth, industrial policy and active involvement of the state in the development path (Lin 2012; Lin and Doemeland 2012). Even though it is now difficult to evaluate Lin's influence on the Bank's reform, the infrastructure initiative and use of public-private partnerships (PPP) have clearly survived his time to become major policy instruments in development assistance. The Global Infrastructure Initiative was established by the G20 in September 2014 and backed by international development banks (AFP 2014a). Again the FfD conference in Addis Ababa has placed an emphasis on infrastructure.

Most debates in the media and academic circles about China-led new development funds focus on whether they challenge the strategic dominance of traditional donors and organizations. Nonetheless governments and international organizations, including the World Bank, IMF and ADB, have welcomed China's offer as a much-needed source of financing to fill in the infrastructure gap: $8 trillion by 2020 in Asia according to ADB and one trillion dollars per year worldwide according to the World Bank (Mathew 2015; AFP 2014b). Less discussion has been conducted regarding to what extent the Chinese infrastructure agenda would be consistent with SDG and benefit local development. To do this, we need first to understand China's agenda behind its export of infrastructure projects and its usual mode of operation in aid and investment packages for infrastructure.

Why infrastructure?

The push for overseas infrastructure is part of China's grand change in its foreign economic policy strategy. In the 1980s and 1990s, China unilaterally opened up its economy by pursuing WTO membership. In the 2000s, Chinese economic diplomacy has been pursued mostly in negotiating bilateral free trade agreements (FTAs), but it has discovered that these agreements do not facilitate access to the major markets in the US, Europe and Japan, can take a painfully long time to negotiate (e.g. with Australia), and have a limited impact on increasing exports or securing natural resources. Since 2004, China has strengthened its support for domestic companies to 'go out' in the hope that they will achieve four commercial results without inter-governmental trade agreements: facilitating the export of Chinese

products and labour, helping domestic industrial upgrading, obtaining foreign strategic and technological assets, and securing a stable supply of natural resources. The 'going out' strategy has indeed helped Chinese companies find external markets, but many have also met staunch local resistance or made scandalous losses.

The 'going out' experiences of the past ten years have taught China that overseas infrastructure investment, typically in long-term, big projects, is the most effective way for China to facilitate the overseas business of other sectors, win diplomatic credit and export its over-capacity.

- Facilitating other sectors. China's infrastructure investment is often connected with the export of Chinese materials, labour and equipment in a long production chain and bundled with natural resources, and it is sometimes connected with Chinese-invested industrial parks (or Special Economic Zones).
- Winning diplomatic credit. While China's scramble for natural resources is very controversial, its investment in infrastructure has received more praise, in particular from least developed countries. China is criticised by Western countries for frequently using tied aid, that is, providing infrastructure to developing countries in exchange for the latter exporting natural resources or importing Chinese products. However, China calls this a 'mutual benefit' based on equality. And unlike traditional donors, China accepts future exports of natural resources instead of existing assets as a guarantee for Chinese loans, thus enabling the construction of infrastructure projects to start immediately. Infrastructure is regarded by African countries as the single most important contribution that China has made to their development, despite all the controversies, and this contribution is where China differs from colonisers and traditional donors (Reuters 2015).
- Exporting over-capacity. Most importantly, big Chinese companies, most of which are state-owned enterprises (SOEs), face a slowing domestic market and need new markets to survive and continue to make profits. Steel, cement, transportation and construction equipment all have serious overcapacity in China. Beijing has also made creating employment a top priority in its economic policy to avoid social instability, and Chinese construction companies are known for their preference for using Chinese workers. Chinese SOEs, on the other hand, are now under greater pressure from the current government to make a profit and become more competitive.

In short, infrastructure has become the focus of China's current economic diplomacy, mainly because it is expected to be an important new driver of China's otherwise slowing economic growth. This is not to say that China's principle of 'mutual benefit' in aid and investment is false. As Deborah Bräutigam, a renowned long-time researcher on Chinese aid, has observed, the fact that the largest target of China's pledges for FfD was investment, not aid, illustrates Beijing's view that investment is a positive force for development (Bräutigam 2015). However, it is profit and the global market that are the most important goals of China's investments in infrastructure.

Why FfD?

The UN's FfD and SDG processes are excellent channels for China to expand its global economic activities, including infrastructure and other development-related businesses: they are global, they provide good political justification for the activities of the Chinese government and companies, and China may have a greater voice in them than at the World Bank or the International Monetary Fund (IMF).

China has so far tried to expand infrastructure investments mainly through bilateral and regional mechanisms, but FfD provides a global platform for it to explore such opportunities. If the Addis Ababa Action Agenda (AAAA) is matched by actions, Chinese banks and companies will no doubt become active participants, searching for projects as well as financing partners. China's position paper on the post-2015 development agenda argues that economic growth should be the priority of governments and that urbanisation should be used as a driver of growth, which inevitably involves large-scale infrastructural construction (MFA 2015).

If the AAAA remains on paper, it will still provide political justification for China's overseas economic activities. China's engagement with developing countries has differed from the norm of traditional donors in the past two decades. While the latter emphasised social infrastructure and economic liberalisation, China has emphasised infrastructure, industrial policy and state involvement. China has criticised the neoliberal Washington Consensus and highlighted the necessity for countries to decide their own path to development. China has also argued that sustainable business is a more effective way to relieve poverty than social programmes, as is also recognised by popular books like Dead Aid (Moyo 2009).

It seems that the outcome of the FfD conference represented an official turn in the Western norm of aid (see Lars Engberg-Pedersen's chapter about the shift from the Washington Consensus). The West has thus moved closer to China. The FfD's

emphasis on public–private partnerships (PPP), coordination among governments, infrastructure and industrialisation matches China's usual mode of operation and priorities in aid and infrastructure investment. However, China has also moved closer to the West in encouraging countries to have open and stable market systems, undoubtedly facilitating the entry or operation of Chinese companies.

Unlike the WB and IMF, the UN is regarded by China and other developing countries as the most legitimate global forum for decision-making on global development. Since the global financial crisis, China has acquired more voting rights at the WB and IMF, but it is still not satisfied with the progress being made and continues to call for a greater voice reform in these institutions. They are still viewed by Beijing as being controlled by Western governments harbouring the neoliberal ideology of the Washington Consensus. At the same time, Beijing knows well how difficult it is to achieve concrete agreement among so many members of the UN, and hence it will not be slowing down its activities in the AIIB, the Silk Road Fund or the BRICS bank. China will, however, wait to see if substantial resources can come out of this process. If the answer is yes, China will make use of it, as it did the UN's Clean Development Mechanism. If not, the AAAA will still serve as political justification for China's approach to development cooperation and overseas investment.

Discussion: Implications for SDG

China's contribution to FfD actions would fill in the financing gap for many development projects, in particular in infrastructure. As this chapter points out, however, whether China's overseas infrastructure projects will be consistent with SDG depends on a particular set of conditions. Certain institutions and rules need to be set up to avoid some of the problems that are characteristic of China's own domestic infrastructure projects.

Environmental sustainability is a serious problem with China's domestic infrastructure projects. This does not mean that the leadership does not attach importance to the environment; on the contrary, the current government has declared war on pollution within China and placed emphasis on the environment in diplomacy, for instance, in the UN climate negotiations. However, domestic institutions within China do not guarantee the implementation of laws. Environmental impact evaluations are often forged, projects often start without receiving environmental approval, and big polluting projects had until recently got away with meagre fines. The position paper drawn up by the G77 and China ahead of the Addis Ababa conference states that the developing countries group would like to separate climate finance from ODA and that the FfD process must recognise the United Nations Framework Convention on Climate Change (UNFCCC) as the main multilateral platform for discussions of climate finance (G77-China, 2015). This position means that developing countries, including China, would like to receive development financing under FfD in addition to climate financing under the UNFCCC and that FfD should not be the main channel of climate finance.

Working conditions and the displacement of populations have been controversial aspects of China's overseas investments, and Chinese companies are also known for preferring to use Chinese workers instead of locals. This report will therefore will not delve into these aspects, except to point out that studies have shown that local governments have room for negotiation with Chinese investors regarding local shares of employment and other conditions (Bräutigam 2009).

While environmental and labour problems, as well as disrespect for contracts, are widely recognised, two other crucial issues are less well known and might spread overseas from within China if they are not handled properly. One issue is the 'trickle down' effect, the other the 'spill over' effect of infrastructure projects.

The first issue is whether the benefits of infrastructure projects can trickle down from the wealthier segments of the population to the poorer segments. As mentioned earlier, China has mainly used big SOEs for both its domestic and overseas infrastructure projects, their main goals being to earn profits and to win market share. Small and medium-size companies therefore feel they have been marginalised, and they are hesitant to enter into public–private partnerships, being concerned that they are just traps to absorb their money. The accumulation of wealth into large corporations without significant increases in employment has also meant increased inequality of incomes within China itself. China's preferred mode of government-to-government coordination for FfD would facilitate the preference for state-owned or large companies, and therefore certain mechanisms are needed to ensure that such government-led big projects can benefit the wider population, including the poor. For instance, the feasibility study of a project should evaluate the economic, social and environmental impact on local communities; the project should employ a significant number of local people with proper labour conditions; companies should pay taxes to local governments according to the law; communities affected by the projects should receive proper compensation and new job opportunities; and the projects should facilitate technology transfers.

The second issue is whether infrastructure construction can spill over to other sectors and stimulate sustained growth. Like other developing countries, China is still in need of more infrastructure for its urbanisation and modernisation strategies. However, there are serious problems of redundant infrastructure and over-capacity in some sectors and regions (EU Chamber of Commerce 2009). The projects also rely on huge bank loans against land (domestically) or raw materials (overseas) as collateral. China rarely issues grants and relies mainly on a combination of concessional and commercial loans to fund its overseas development projects. If land or commodity prices fall, debt default would become a real scenario. For example, nearly 70 per cent of the infrastructure projects undertaken in Sri Lanka in the last six years have been funded by China and built by Chinese companies. Now the country is heading towards a debt crisis and urging Beijing to forgive its debt. Its finance minister thinks that 'Chinese loans are a big part of our problem' (Chowdhury 2015). At the Forum on China-Africa Cooperation (FOCAC) on 4-5 December 2015, President Xi gave the continent a financial commitment of $60 billion, tripling the amount pledged at the last FOCAC. However, the pledge is defined broadly as 'investment', being composed of only $5 billion for grants and zero-interest loans, with $35 billion for concessional loans and buyer's credits, as well as $20 billion of commercial financing. Questions remain regarding what the loans are backed with and how African countries will be able to pay them back (Sun 2015).

In short, infrastructure has played a significant role in China's development path so far, but it is also the cause of many economic, social and environmental problems. As China tries to export infrastructure projects overseas through international platforms, including the new development banks, as well as UN's FfD, the world can expect alternative financing and new drivers of growth. However, China is still searching for its own way to switch from unbalanced, uncoordinated and unsustainable growth towards sustainable, inclusive development. In the process of China's domestic reform and overseas expansion, the meaning of 'mutual benefit' in China's diplomatic rhetoric should refer not only to economic gains, but also to ways to achieve inclusiveness and sustainability. Countries and companies with experience and know-how regarding environmental protection and social responsibility can play a positive partnership role in this process, thus making China's infrastructure projects in developing countries beneficial to multiple parties.

The emergence of new configurations between public and private actors:

LESSONS FROM WATER PRIVATISATION

By: Helle Munk Ravnborg

Expectations are high that private investment and – in the view of many – particularly foreign direct investment will provide an important source of finance for realizing the 2030 agenda for sustainable development. And for good reasons! Two-thirds of GDPs around the world circulate strictly within the private sector, while public spending, some of which may also be channelled through the private sector, makes up the remaining third of GDP, ranging from 13 percent in Madagascar to 100 percent in North Korea and Kiribati.[1]

According to UNCTAD (2014), the total investment needed to meet the sustainable development goals in developing countries alone could be around USD 3.9 trillion per year over the period 2015-2030, of which an estimated USD 1.4 trillion is currently provided annually from a mixture of public and corporate private investments, while an additional but unknown share is provided through private investments undertaken by individuals, for example, by means of remittances, non-corporate enterprises like family farms, shops, etc. (UNCTAD 2014: 139). Meanwhile, the holdings of pension funds domiciled in developed countries alone are estimated to have reached USD 20 trillion (ibid.: 137). In their search for low-risk, long-term investment opportunities, the managers of such funds are looking increasingly towards developing countries, and obviously service delivery and infrastructure development constitute an interesting match in this respect. Thus, in 'making ends meet', efforts are being made to devise models that will mobilise such funds, as well as private capital in general, in ways which would enable the attainment of the 2030 agenda for sustainable development globally, especially in developing countries.

However, expectations with respect to private investments have also changed, at least in how they are formulated, over the course of the three years during which the 2030 agenda for sustainable development has been in the making. Gradually, the initial rather blunt focus on the need to 'encourage stable, long-term private foreign investment', presented as part of goal 12 proposed by the High Level Panel of Eminent Persons (UN 2013: 31) and echoed as part of 'Focus Area 15' in the early drafts for the proposed 2030 agenda from the Open Working Group,[2] along with the excitement generated by the ability to mobilise significant private resources under the auspices of the Sustainable Energy for All initiative (e.g. ibid.: 44), have been replaced by a more cautious and balanced approach. First of all, both the UN Secretary General in his synthesis report (UN 2014) and the 2030 agenda document adopted by the United National General Assembly in 2015 (UN 2015b) take great care to signal that the private sector, and thus private-sector investments, is not limited to the corporate sector and foreign direct investment, perhaps as a part of public-private partnerships (PPP), but also entails, for example, micro-enterprises and the cooperative sector. Secondly, the need to 'redirect' and 'regulate' private investments is strongly emphasised. The private sector, it is stated, is not only part of the solution, but also part of the problem (UN 2014: 5). Thus, in his synthesis report, the UN Secretary-General cautions that, while '[b]lended financing platforms could have a great potential, particularly where there is a benefit to the public sector, [....] it is important to ensure that these arrangements are subject to safeguards to verify that they contribute to sustainable development. They must not replace or compromise state responsibilities for delivering on social needs.' (ibid.: 31) Likewise, the Addis Ababa Action Agenda stresses the importance of strengthening public policies and of regulatory frameworks to unlock the transformative potential of people and the private sector, as well as incentivising changes in financing and in consumption and production patterns to support sustainable development. Thus, it acknowledges 'the importance of robust risk-based regulatory frameworks for all financial intermediation, from microfinance to international banking [and] that some risk-mitigating measures could potentially have unintended consequences, such as making it more difficult for MSMEs [Micro, Small and Medium Enterprises] to access financial services' (UN 2015a: 9-10) It therefore gives a commitment to 'work to ensure that our policy and regulatory environment supports financial market stability and promotes financial inclusion in a balanced manner, and with appropriate consumer protection' (ibid.).

Privatization and re-municipalisation in the water and sanitation sector

In many ways the general transition from the initial 'unconditional welcoming' approach towards a 'welcoming' but also 'cautiously selective' approach towards private finance, insisting on 'safeguarding the right to regulate' (UNCTAD 2015), could very well have been informed by specific experiences from different forms of private-sector participation in the water supply sector, ranging from full-blown privatisation through different forms of public–private partnerships towards the retention of full public control. In the view of many, the provision of clean and sufficient water constitutes a key obligation of the state towards its citizens, and in many places, the reach of a given water supply system is a key defining characteristic of 'community'. Following years of deliberations (e.g. Chávarro 2015; Gleick 1999), the right to safe and clean water was recognised in 2010 as a human right, essential for the full enjoyment of life and all human rights, first at the United Nations General Assembly[3] and subsequently by the United Nation's Human Rights Council[4] (Chávarro 2015: 69-71), a status which many national constitutions and legislation

predating 2010 already catered for. Moreover, despite the notion of water as an 'economic good' which was adopted as one of the four so-called Dublin Principles (Solanes and Gonzales-Villareal 1999), formulated in preparation for the World Summit on Environment and Development held in Río in 1992 and subsequently causing substantial controversy (e.g. Bauer 2004), most countries define water as part of the national patrimony which cannot be privatised (Ravnborg 2015).

Yet, in many countries and municipalities, the state and sub-national authorities fail to provide this basic service to their citizens, often due to a combination of, on the one hand, a lack of investments for establishing and maintaining the necessary infrastructure for water development, treatment and delivery, and on the other hand, inadequate management, including cost recovery (e.g. UNDP 2006).

Thus, as part of the so-called Washington Consensus and the neo-liberal wave which, from the late 1980s, hit not only developing countries, but also developed countries, with its emphasis on the de-regulation and privatisation of state enterprises, many governments and municipalities either chose or were pushed to undertake reforms to enable the privatisation of water utilities by leading financial institutions such as the World Bank, IMF or regional development banks (e.g. Bauer 2004; Food and Water Watch 2007;[5] Gleick et al. 2002; Postel and Wolf 2001; Swyngedouw 2005; Westermann 2004; Wilder 2008). In 2000, out of forty IMF loans distributed through the International Finance Corporation, twelve were conditional on the partial or full privatisation of water supplies.[6] In some cases, water and sanitation utilities were fully privatised, that is, both the infrastructure and the delivery (the so-called Anglo-Saxon model), whereas in other cases public–private partnerships were formed in which the public sector typically owns the infrastructure while a private company manages the water service – the so-called French model according to Swyngedouw (2005:94).

The case of Guayaquil

In Guayaquil,[7] Ecuador's largest city, by the late 1990s the water and sanitation infrastructure had become insufficient to serve the city's growing population with safe and sufficient water and sanitary conditions. However, following more than a decade of structural adjustment policies, options for public investments in improving the infrastructure were limited. Thus, the Inter-American Development Bank offered Ecuador a USD 40 million loan under the condition that Guayaquil would privatise its water supply. The loan agreement was signed in 1997, and in 2001, a thirty-year concession to run water and sanitation services in Guayaquil was signed with an international consortium, International Water Services of Guayaquil (Interagua), headed by the multinational company Bechtel, the only consortium to present a bid to run the system. Since 2008, Interagua has been headed by the French multinational water company Veolia, which, together with Suez, another French company, controls 'an overwhelming share' of the world water market (Swyngedouw, 2005:94). In addition, the consortium concession was insured by the World Bank Multilateral Investment Guarantee Agency (MIGA) to the tune of USD 18 million against a wide range of risks, including political instability (Swyngedouw, 2005). Thus, substantial public resources were mobilised from international development banks and agencies such as the Inter-American Development Bank and the World Bank in support of the granting of the concession to the international consortium. Yet, although the operation of the water and sanitation utilities was privatised, the obligations to provide safe and sufficient water and sanitation services and to ensure broad-based coverage of Guayaquil's growing population, as well as the obligation to service the loan, are still public. Faced in 2005 with complaints from a large number of citizens regarding the poor quality of water, with outbreaks of Hepatitis A, prolonged cut-offs, insufficient sanitation services, a lack of coverage of service in poorer neighbourhoods, etc., the concession contract had to be modified, implying inter alia the devising of 'a mechanism of compensation [for the consortium] for forgone income due to the implementation of the "social tariff"'.[8]

A wave of 're-municipalisation'

Guayaquil is only one of many cities whose water supply has been privatised. Across the world, water utilities have been privatised, most recently also in the case of Greece in response to demands from the International Monetary Fund and the European Union (Hoedemann et al. 2012: 110-111). However, across the world water privatisation has been met with resistance not only from citizens and water consumers fearing being given a poorer service at a higher price, as well as rejecting the very notion of turning the provision of water into a business opportunity – as in the iconic case from Cochabamba, Bolivia, where in 2000 people took to the streets to protest against the city's water supply system being handed over the company Bechtel, with the result that the Bolivian government had to cancel the contract (e.g. Westermann 2004) – but also from municipal authorities, as the almost as emblematic case of the re-municipalisation of water services in Paris illustrates (Pigeon 2012). Following decades of enthusiasm with respect to water privatisation from, for example, international development banks, in view of such trends towards re-municipalisation, UNCTAD provides a sobering view by referring to water and sanitation as a 'sensitive sector', with only limited potential for further privatisation, in their special section on investing in the SDGs (UNCTAD, 2014:xxviii & 140). In Paris, the new semi-autonomous, publicly owned and city-controlled water utility

Eau de Paris, which in 2010 took over from two of the world's largest water operators, Veolia and Suez, has managed to produce savings, lower water tariffs and not least ensure transparency and accountability in managing the city's water supply due to it not having to pay shareholders dividends (Pigeon, 2012). Thus in France, the country with the longest trajectory of privatised water and sanitation services, another forty municipalities have decided to re-municipalise their water and sanitation utilities in the near future, and worldwide 235 cities are stated as already having done so (Pigeon et al. 2012; Kishimoto et al. 2015). Citizens in Athens and Thessalonica are seeking to prevent the privatisation that the European Union (EU) and the International Monetary Fund have imposed on the country, and in Europe the first-ever European Citizen's Initiative, the Right2Water initiative, managed to collect a sufficient number of signatures from citizens in Europe to demand that the issue be put on the political agenda in the European Parliament. The Right2Water initiative[9] demanded (i) that EU institutions and member states be obliged to ensure that all their citizens enjoy the right to water and sanitation and thus recognise the human right to water and sanitation as defined by the United Nations; (ii) that the supply and management of water resources not be subject to 'internal market rules' and that water services be excluded from liberalisation; and (iii) that the EU increases its efforts to achieve universal access to water and sanitation. Hence, a milestone was reached for the initiative when in September 2015 the European Parliament voted in favour of demanding that the European Commission prepares legislation which explicitly excludes water services from the Concessions Directive and from trade negotiations.

While investments are indeed needed to improve water supply and sanitation in many of the world's cities, towns and rural communities – investments that will spur numerous contracts for pipes, pumps, meters and treatment plants, which are produced primarily by the private sector – the lessons from the past three decades of the push towards privatisation are that privatisation does not guarantee improved services (see also UNDP 2006) and that increasingly both users and politicians are sceptical of the idea that water supply and sanitation should be commercialised and form the basis for the generation of dividends to shareholders, eventually adding to the costs of realising water and sanitation as a human right and achieving the SDGs.

Promoting transformative private investments for the public good

It is reasonable to assume that experiences from different forms of privatisation – voluntary as well as imposed – in the water and sanitation sector across the world, and the public protests which have ensued in the wake of many of these

privatisations, have contributed to the recent change in signals, particularly from the United Nations, with respect to the mutual roles of public and private actors in advancing the 2030 agenda for sustainable development, and thus also with respect to expectations regarding the private sector. The unconditional conviction that underpins the Washington Consensus, namely that the state should be rolled back and leave it to the market and the private sector to allocate resources, including financial resources, has been replaced by a more cautious approach to the market and the role of the private sector, insisting on the prerogative of the public, represented by national and sub-national public institutions, to regulate investments in the public interest that are not exclusively based on concerns for a return on investments (e.g. UNCTAD 2014, 2015; UN 2014, 2015a). 'Blended financing platforms', the UN Secretary-General stated in his synthesis report, 'could have a great potential, particularly where there is a benefit to the public sector. Where they are considered, however, it is important to ensure that these arrangements are subject to safeguards to verify that they contribute to sustainable development. They must not replace or compromise state responsibilities for delivering on social needs. Such policies also need to ensure fair returns to the public, while incorporating social, environmental, labour, human rights, and gender equality considerations. In addition, risk should be managed through diversification and the use of multiple simultaneous projects, allowing for gains in some projects to offset losses in others' (UN 2014: 31).

Thus, the Addis Ababa Action Agenda calls upon nations to 'develop policies, and where appropriate, strengthen regulatory frameworks to better align private sector incentives with public goals, including incentivizing the private sector to adopt sustainable practices, and foster long-term quality investment' (UN 2015a: 9). Hence, it is no longer sufficient to 'build transparent, stable and predictable investment climates, with proper contract enforcement and respect for property rights, embedded in sound macroeconomic policies and institutions' as prescribed in Monterrey – and by the Washington consensus. In addition, the Addis Ababa Action Agenda urges that enabling domestic and international conditions should promote 'inclusive and sustainable private sector investments, with transparent and stable rules and standards and free and fair competition, conducive to achieving national development policies,' a reference, for example, to the UN Guiding Principles on Business and Human Rights and the labour standards of the ILO (ibid.).

In addition to emphasising the regulatory and enabling role of the public sector, the Addis Ababa Action Agenda also stresses the role of public investments in their own right, as well as when they are part of public–private partnerships. The latter are

portrayed as blended finance instruments 'led by regional, national and sub-national government policies and priorities for sustainable development' (emphasis added) and as partnerships which 'should share risks and reward fairly' and 'include clear accountability mechanisms and meet social and environmental standards' (UN 2015a: 12).

These high, but also conditional expectations regarding private investments and the ambition to 'mobilize, redirect, and unlock the transformative power of trillions of dollars of private resources to deliver on sustainable development objectives' (UN 2014: 28) place high demands not only on the private sector, but also, and perhaps more particularly, on the public sector and ultimately the general public.

Mechanisms such as the UN Global Compact are being developed under which companies commit themselves to 'align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals,'[10] gradually taking on board new issues. Under the auspices of the UN Global Compact, since 2007 the CEO Water Mandate has aimed 'to mobilise business leaders to advance water stewardship' Also, in 2015, the Alliance for Water Stewardship, 'a multi-stakeholder organization dedicated to enhancing water stewardship capacity, and guiding, incentivizing and differentiating responsible water use', founded by stakeholders from industry, agriculture, public sector and civil society, launched certification requirements and a verification procedure according to the AWS International Water Stewardship Standard (e.g. Mason 2013). While some of these mechanisms have been criticised for being business-driven (e.g. Soederberg 2007), new sets of rights-based and broadly consulted global governance instruments (e.g. Margulis et al. 2013; McKeon 2015) appear to enjoy broader legitimacy. Examples include the UN Guiding Principles on Business and Human Rights (UNGP) mechanisms, which have recently been developed under the auspices of the United Nations Office of the High Commissioner for Human Rights, and the Voluntary Guidelines on Tenure (VGGT) and the Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI), both endorsed by the Committee on World Food Security (CFS) respectively in 2012 and 2014. Common to these new governance instruments is that they are flow-centred, targeting flows of capital, goods and resources, rather than territorial (Margulis et al., 2013; Sikor et al., 2013). And publics – shareholders, citizens and consumers – across the world are increasingly expressing their demands for investments and products by referring to global and local social, economic and environmental impacts. What still appear to be missing are strong mechanisms which demand full transparency and accountability regarding private investments in public services, particularly when they involve public resources, be they financial or physical assets (infrastructure, land, water, minerals, etc.). Thus, as the UN Secretary-General stated in his synthesis report, 'Review and monitoring frameworks, regulations and incentive structures that enable [long-term, including foreign direct] investments must be retooled to attract investments and reinforce sustainable development. National oversight mechanisms such as supreme audit institutions and oversight functions by legislature should be strengthened' (UN 2014: 28). Developing such frameworks and mechanisms is a shared task, and a vanguard of progressive governments, municipalities, companies and civil-society groups is needed to experiment with potential frameworks and mechanisms and thereby develop new standards, not only to 'unlock the potential' of private investments, but fundamentally to achieve the 2030 agenda for sustainable development.

1 http://www.heritage.org/index/explore?view=by-variables, accessed 4 December 2015.
2 E.g. the draft presented for discussion at the May 2014 meeting of the Open Working Group.
3 UN GA resolution 64/292.
4 HRC resolution 15/9.
5 http://ciel.org/Publications/MurkyWaters_Background_15Apr08.pdf, accessed 10 December 2015.
6 http://academic.evergreen.edu/g/grossmaz/vanovedr/, accessed 12 December 2015.
7 This section builds on http://ciel.org/Publications/MurkyWaters_Background_15Apr08.pdf, accessed 10 December 2015; http://www.alternet.org/story/67451/the_corporate_takeover_of_water_in_ecuador, accessed 10 December 2015; and http://latinamericacurrentevents.com/data-regarding-water-concession-in-guayaquil-ecuador-interagua/33793/, accessed 11 December 2015.
8 See http://latinamericacurrentevents.com/data-regarding-water-concession-in-guayaquil-ecuador-interagua/33793/, accessed 11 December 2015. Four addendums (2004, 2006, 2010 and 2010) to the initial contract are mentioned, the fourth of which specifies the mechanism of compensation for forgone income for the consortium due to the implementation of the 'social tariff'. It is not clear, however, whether, in addition to changes made in the terms of the contract, the insurance with MIGA has been activated in any of these cases.
9 http://www.right2water.eu/, accessed 11 December 2015.
10 https://www.unglobalcompact.org/what-is-gc, accessed 12 December 2015.

Private foundations and the post-2015 development financing regime:

CONTENTIOUSNESS OR CONVERGENCE?

By: Adam Moe Fejerskov

The global influence of private foundations and their funding of international causes have been significant since the beginning of the twentieth century. Over the last decade, however, their activities have increased greatly, their financial support, mostly of a limited number of sectors, strengthening their apparent impact and political influence. Moreover, their (re)emergence on to the international scene of development cooperation has been as evident in discursive changes as it has been traceable in practice. The perceived increased influence of private foundations is as much a result of increased attention and expectation-building from development and philanthropic circles as of concrete knowledge of the difference these organizations make. Bodies such as the Rockefeller and Ford Foundations have continuously been distributing funds to help solve development challenges for almost a hundred years, but have often moved outside the public eye, often intentionally so as not to attract the levels of attention we are witnessing today.

Led by the immense rise of the Bill and Melinda Gates Foundation (Fejerskov 2015), in this new époque since the turn of the millennium, private foundations have been hailed as saviours of development cooperation by some. In this view, they represent an obvious alternative to what are perceived to be bureaucratically heavy and ineffective state agencies (Adelman 2009; Bishop and Green 2010; Easterly 2007), being driven by fierce self-confidence and ambition, and built on a foundation of innovation, effectiveness and an orientation towards results. Others again have called for caution and have especially advised against the approaches of foundations lead by a new generation of 'philanthrocapitalists', who apply logics and practices of the world of business in their attempts to increase fundamentally the practices and trajectories of development (Desai and Kharas 2008; Edwards 2009; McGoey 2014).

Because of the combined increased funding from private foundations and the intellectual and political attention they receive, these foundations have been heralded as centrally positioned in financing the post-2015 agenda. This short chapter will provide insights into how foundations have engaged with the post-2015 process, as well as discuss their potential future role in the global architecture of financing for development. The first part of the chapter addresses this question in a general sense, while the second particularizes it by focusing on the Bill and Melinda Gates Foundation, discussing its attitude to the post-205 agenda. To a certain extent, the Gates Foundation is a unique case rather than representative of a wider movement in general simply because it has more money, power and influence than any other private foundation or even, possibly, the combined efforts of the rest of this group, making it an interesting but perhaps extreme case for how private foundations have approached the UN's processes.

Private foundations in the post-2015 framework

Comprehending the attitudes of private foundations to the post-2015 development agenda and their role in the future financing of development is a difficult task. One issue is the information available, or lack of it. Negotiations such as those of the post-2015 process, which falls under the auspices of the UN, are intergovernmental, and rarely are we given an insight into the specific positions of the different actors that may be formally positioned outside the negotiations. Certainly civil society in general often uses to its advantage the weapon of vocalizing demands in the public sphere. Private foundations, however, and especially the Bill and Melinda Gates Foundation, are not too fond of the public's somewhat scrutinizing eye and often work through more informal channels or through grantees to further their advocacy work, partly due to a strategy of not wanting to be perceived as biased in one way or another.

Another, more central issue is that private foundations (amounting to several hundred thousand globally) are as internally incoherent a group of actors as they are distinct from traditional donor agencies. Very few foundations have access to vast amounts of funds, with fewer than a dozen foundations having an endowment of more than $5 billion, and the great majority of the world's foundations function with assets of just a few millions, of which they only give out a small percentage annually (for most US foundations, this figure is usually around 5 percent) (OECD, 2014). Unsurprisingly then, their relations with the field of development cooperation are uneven at best. Some foundations, led by the Ford Foundation, have gathered around the OECD to create a form of Paris Declaration for private foundations called 'Guidelines for Effective Philanthropic Engagements', an initiative that signals a willingness to cooperate, perhaps even coordinate, with other organizations in the field. Others consider public aid agencies as fundamentally constraining the ambitions and actions of private foundations working in development, which underlies the frequent reference to the relationship between philanthropy and development relationship as a 'clash of civilizations' (OECD, 2014). Between these two views we find the majority of foundations clinging to a complementary attitude that acknowledges the benefits of working through partnerships with NGOs and public aid agencies while aiming to maintain at least the perception of uniqueness and a distinct modus operandi.

The common understanding seems to be that private foundations have not been very interested in the MDGs. Set forth in a not exactly transparent intergovernmental process in which such foundations had no say, they represent a UN system that few foundations have relations with or perceive as an effective partner, though collaboration with the system would increase the impact of the foundations' work (see UNDP 2015b). The MDGs are conceived to be a project of and for governments alone. The Vice President of the Rockefeller Philanthropy Advisors framed this concern well when, at a post-2015 hearing, she said that 'Philanthropy largely ignored the MDGs. There were a few notable exceptions, but frankly, most institutions and individuals in this sector don't understand the UN system, don't understand or believe in how public policy is determined and implemented' (Grady 2015). Even so, foundations themselves estimate that they contributed around $30 billion to MDG-related areas (UNDP 2015b).

The post-2015 process of discussing and formulating the new Sustainable Development Goals has fortunately been different in adopting a more open and inclusive manner, and recognizing the need to involve all potential partners to have even the slightest chance of delivering on this colossal agenda. For some foundations, then, their negative attitude towards the MDGs has slowly been changing to a positive view of the SDGs. In 2013 a group of foundations, some of which were also involved in developing the GEPEs mentioned above, began working with the UNDP, the Foundation Center and a number of governments ultimately to create the '2015 Partnership Platform for Philanthropy' (2015 Partnership). As a global initiative, the partnership was created to build awareness of the post-2015 agenda in the philanthropic sector; foster just on partnerships between foundations and the UN system, governments and other development organizations; develop country-level structures that identify opportunities for philanthropy and partners to collaborate; and make data on philanthropic investments more accessible in order to track progress and find partners. Kenya, Colombia, Indonesia and Ghana have been selected as pilot countries where the three implementing partners – the UNDP, the Foundation Center and the Rockefeller Philanthropy Advisors – can test initial ideas and models. A major milestone for the partnership has been the launch of the SDGfunder.org webpage, which links private foundations to specific SDG targets while mapping philanthropic and aid data on to the SDGs.

In addition to the dialogue within the '2015 Partnership', a series of high-level discussions have brought together foundations and the UN system in recent years to debate their role in the post-2015 framework, involving the participation of hundreds of foundations. One of these was an ECOSOC-hosted Special Policy Dialogue for private foundations along with OECD's netFWD, a network of foundations working in development, and the Worldwide Initiative for Grantmaker Support (WINGS), as part of 'an ongoing effort to scale up innovative approaches to philanthropic engagement in development and to accelerate MDG implementation' (UNDP 2015a).

Another foundation-relevant issue that has been prominent in the context of the post-2015 agenda is discussions over institutionalizing the so-called 'Giving Pledge'. The Giving Pledge is an effort by Bill Gates and Warren Buffett to convince other billionaires to donate their fortunes to charity. To 'take the pledge' means signing a document stating that one will donate at least half of one's fortune to charity. As of now, however, it is no more than a promise, with no directions regarding the causes or organizations that must be supported. During the post-2015 process of formulating the SDGs and of exploring new avenues of financing for development, the possibilities of institutionalizing the Giving Pledge into the SDGs was often discussed, not least in the context of the FfD conference in Addis Ababa. Gates and Buffett never engaged in such discussions, however, and it seems most unlikely that they will begin to lay down guidelines for how pledgers should distribute their funds.

Despite the commendable efforts of a group of foundations in bringing philanthropy and development closer together by urging foundations to become involved in the post-2015 process and the SDGs, it seems that the majority of foundations do not have any interest in or share any affinity with the SDGs (Alliance 2015b). Likewise, in most collaborative work on foundations' relations with development cooperation, whether the GEPEs or, more importantly here, the '2015 Partnership Platform for Philanthropy', one foundation also seems to be mostly missing: the Bill and Melinda Gates Foundation. As the next section will explore, there are a number of reasons why the Gates Foundation seems to have travelled a different and more autonomous path that is not completely dismissive of the SDGs, but still maintains a distinctive attitude in relation to them.

The Gates Foundation's engagement in the post-2015 process

Like the rest of the philanthropic environment, Gates was initially a pronounced sceptic of the MDGs, seeing them as fundamentally constraining the work of the foundation and largely as just a set of hollow government promises, never truly realized: 'The MDGs were hardly the first time someone had declared that children shouldn't die. And the U.N. had passed many resolutions calling for things that never came to pass. Why would this time be different?' Thus did Gates describe his initial view of the MDGs in 2013 (Gates 2013a).

Something happened, however, over the course of a few years to bring the Gates Foundation closer to the MDGs. Gates himself explained that 'It's hard to pinpoint exactly when it happened, but over time Melinda and I moved from cautious optimists to full-throated fans' (ibid.; see also Fejerskov 2015). Perhaps the gradual increase in the prominence of the MDGs and a more thorough reading of their ambitions made Gates and his foundation realize that in fact they largely reflect Gates Foundation priorities such as health and education, even in a framework that reduced complex issues to fairly simplified indicators and variables. As Gates later noted himself, 'unlike so many vaguely worded international resolutions, the MDGs came with concrete numbers' (Gates 2013a).

It comes as no surprise, then, that Bill Gates and the Gates Foundation have greatly preferred a post-2015 agenda that built on the MDGs, rather than casting these aside and creating a new and broader framework. From the start of the emerging post-2015 discussions, Bill Gates held that they should 'build on what made the current goals so successful—starting with the fact that there were only eight MDGs, which let the world zero in on the most important areas' (Gates 2013a). This view was accentuated when Gates spoke at the World Economic Forum in Davos in 2013, telling the international society about the MDG framework: 'Leave it alone'.

The Open Working Group on the SDGs' report to the UN General Secretary and the proposed 17 goals and 169 indicators did not provoke either admiration or consent from Gates or the Gates Foundation. Aside from the welcome focus on health and education, the SDGs as proposed seemed to have been far too political in nature for Gates: 'When the UN reaches agreement on other important goals like mitigating climate change, it should consider whether a different set of actors and a separate process might be best for those efforts' (Gates 2013b). He also made a rather interesting point in the context of the Gates Foundation's focus on developing new technologies, vaccines and ways of combating poverty that areas within which proven instruments capable of producing results had not been developed should not be part of the SDGs. The argument becomes less surprising when we understand it as a way of focusing on a set of conceivably less political and more technical areas such as health and education, as opposed to the political nature of building democratic institutions: 'For example, improving governance is a worthy end, but do we have the tools to make it happen? It's not clear' (Gates 2013a). Instead of disputed and deeply politically sensitive goals, measurability should be the central concern: 'many of the potential new goals don't have unanimous support, and adding many new goals, or goals that are not easily measurable, may sap momentum' (ibid.).

One of the political issues on which the Gates Foundation and Bill Gates himself have been silent is inequality. Inequality has been central to the post-2015 agenda, and it received its own standalone goal in the new SDGs, but it has never been a prominent part of the philanthropy environment, with very limited attention from foundations. Since 2004, only 251 out of four million registered US grants used the word 'inequality' (Alliance 2015a).No matter how we see it, however, inequality is currently a manifest fact of this world. An Oxfam report last year found that eighty-five individuals now hold as much wealth as the poorest half of the world's entire population (Oxfam 2015). The ambiguous relationship between inequality and philanthropy is quite apparent, as the vast majority of foundations have been founded and are governed by incredibly wealthy individuals, all obvious representatives of the increasing inequality.

The local Seattle media Humanosphere reported from the Gates Foundation's 2015 Global Partner's Forum, highlighting the general scepticism of the post-2015 agenda, and especially the seemingly all-encompassing nature of the seventeen goals. Many speakers at the meeting apparently poked fun at the SDGs, referring to them as a 'fantasy,' a 'train wreck,' or an unworkable and 'encyclopaedic' wish list (Humanosphere 2015). The message seems to have been that the proposed SDGs were far too complex, unhelpful and wrong in their broad priorities and that that they should be replaced by a much simpler, health-dominated framework, more akin to the MDG approach of the last fifteen years. Mark Suzman, head of global advocacy in the foundation, jokingly referred to the SDGs as 'No targets left behind', and Bill Gates himself referred to them as analogous to the Bible, adding that he would prefer to start with something simpler, 'like the Ten Commandments' (ibid.). Suzman later explained that these statements had not been made in an attempt to undermine the UN agenda, but were rather about trying to figure out how to draw up a set of SDGs that would succeed.

Rather than waging an all-out war against the SDGs and the UN system, therefore, the Gates Foundation has promoted a much narrower, more measurable and perhaps more pragmatic agenda, as opposed to the grandeur of the adopted SDGs. Pragmatic also in the sense of an agenda mainly promoting the priorities of the foundation within health and education, much as a large number of the MDGs did: 'Global health is a fantastic investment. It should be a top priority on the world's agenda. Figuring out how to deliver on the Sustainable Development Goals will require many tough decisions, but this is not one of them' (Gates, 2015). This view

to a certain extent challenges the more UN-aligned opinion of the 2015 Partnership group of foundations and is likely one of the reason why the Gates Foundation rarely participated in panels and the like during foundation dialogues with the UN.

Conclusion

Private foundations never became major supporters of the UN's MDG agenda, which they perceived as strictly a government agenda, alignment with which would have constrained their work. Some of the major foundations did eventually accept the MDGs as an important agenda, and some, like the Gates Foundation, went further, completely embracing their ambitions, mainly with a view to their measurable, technical and fairly narrow or reduced understandings of development processes. Likewise, initial attitudes to the post-2015 process were ones of indifference and outright opposition. For some foundations this changed into a more positive tone, while for others such as the Gates Foundation, the proposed SDG agenda, right from the time the Open Working Group suggested the 17 goals and 169 targets, was far too political and comprehensive.

The SDG agenda is sufficiently comprehensive for us to dismiss any uncertainty as to whether the priorities of private foundations have been included or are reflected in them or not. Foundations often follow a narrow set of priorities that are very likely to have originated with the 'founder', but it is hard to find anything not included in the SDGs. Just as not all public donors share all priorities in the SDGs, of course there will also be priorities that foundations do not share, such as governance issues, with fewer than 3% of US foundations' donations being given to support elections, access to information, democracy or municipal reform (OECD, 2014). Similarly, foundations still do not invest in fragile and conflict-ridden contexts (OECD, 2014), something they will have to overcome in the coming years, especially if they would like to be known as willing to take risks. But this can never become an excuse for foundations not to engage in the financing regime for the SDG agenda, and there is a dire need to build up a feeling of ownership of these global agreements in the philanthropic environment.

Regardless of the questionable attitudes to the UN conferences on both the SDGs and the FfD tracks, foundations will have an important role to play in financing development over the next decades: it is estimated that philanthropic North-South flows amounted to $59bn. in 2011, one of only a few reliable figures on philanthropic giving. There are certainly valuable efforts that will not be made if foundations do not wish to pursue the SDG agenda or engage in collaborative endeavours. Just as public aid agencies cannot replace the work of the foundations, the latter should never be tasked with taking on some of the 'heavier' challenges that are often the target of international public financing. Complementary forms of partnership have always been the most effective when these two substantially different groups of actors are brought together, and especially concrete partnerships built around specific issue areas in which the relative strengths of both parties can be utilized to the maximum should be favoured. Too many minor and fragmented efforts simply risk doing more harm than good and undermining the core principle of today's private foundations: impact effectiveness.

It is an open secret that many foundations in global development value autonomy and independence of action above coordination and collaborative efforts. Regrettably, such attitudes reduce the impact and effectiveness of their programs and projects. The aim of genuinely including the private foundations in the SDG and FfD tracks is not to streamline them through the approaches, cultures and practices of public aid agencies, but simply to increase the poverty-reducing effect of philanthropic grant-making. Private foundations need to acknowledge the importance of thorough coordination, even if this means limits to their autonomy and independence of action, just as public donors have to acknowledge the special modes of operation and logics of private foundations when they seek to include them. Though the Bill and Melinda Gates Foundation has shifted between attitudes of complementarity and isolationism in respect of the UN's work on development cooperation, the Foundation has gradually moved closer to engaging with the field of development cooperation and peer organizations in it, no longer seeking isolation to the extent it did earlier (Fejerskov, 2015). This is a positive sign that hopefully many other foundations will follow in the coming years.

Effective and efficient use of funding:

FROM RHETORIC TO REALITY IN FINANCING DEVELOPMENT

By: Neil Webster

> "We reaffirm the importance of freedom, human rights and national sovereignty, good governance, the rule of law, peace and security, combating corruption at all levels and in all its forms and effective, accountable and inclusive democratic institutions at the subnational, national and international levels as central to enabling the effective, efficient and transparent mobilization and use of resources. (Addis Ababa Action Agenda, § 5, p. 3)"

Introduction

During and after the Third International Conference on Financing for Development held in Addis Ababa, much was written about the need to secure optimal use of the resources committed to achieving the Sustainable Development Goals (SDGs). As stated in the extract from the Addis Ababa Action Agenda above, 'accountable and inclusive democratic institutions'', good governance', 'rule of law' and 'combatting corruption' are some of the crucial ingredients of effective and efficient resource use.[1] Other measures argued for include 'national ownership' (para. 20), 'enhanced revenue administration' (para. 22) and 'national control mechanisms' (para. 30). But what do they amount to when put together? Is there a basis for stating that the Addis Ababa conference witnessed not just a commitment of funds, but a commitment as to how they would be managed to achieve their effective and efficient use?

I fear the honest answer is 'no'. Although the terminology is right the devil is in the detail, and in this case the detail is lacking. If the history of the public financial management of development funds was more positive this might not be a concern, but in this particular history experience has not been particularly positive.

For many years, the conventional wisdom has been that international standards need to be introduced along with the systems, actors and instruments they require. The emphasis has been on institutional capacity-building, training, the use of best practice models and the technical expertise such measures require. The Public Expenditure and Financial Accountability (PEFA) initiative and the Country Policy and Institutional Assessments (CPIA) have enabled the World Bank and other agencies to focus on what works and what does not over the past decade or so, but ultimately these assessments provide technical solutions to what are not only technical problems.

In addition, the public financial management (PFM) programmes and the projects being pursued in many developing countries are externally driven, and this is not good. For example, often financial assistance (aid as loans or grants) is provided for capital expenditure, but not recurrent expenditure, in an attempt to impose financial discipline and to reduce 'leakage', but the two are equally important. Monitoring a school construction effectively does not help in achieving development outputs such as 'education for all' if the subsequent maintenance, salaries and other recurrent costs are poorly managed (Allen et al. 2004). At the policy level, if activities to strengthen PFM remain international projects, not only will the political will of government ministries and departments to implement these all too often be very weak, they also risk remaining just projects, that is, unsustainable in the longer term, and with little replication across government ministries and sectors.

Peterson (2011) suggests that the four drivers necessary for effective PFM reforms are context, ownership, purpose and strategy. Context is important, as one size does not fit all, and reforms that are insensitive to the institutional context tend to fail badly. Ownership is important due to the fact that implementation and sustainability require government ownership at all levels. This leads to the importance of purpose, namely the need to combine instruments of financial control with government resources that apply and to enforce them. Finally strategy is important in that a clear path from identifying needs and developing policy through to effective and sustainable implementation needs to be present (Peterson 2011). If, as the documentation suggests, these were not addressed in Addis Ababa, are there experiences from low-income countries we could learn from? Given that some 70 percent or more of the finance for the Millennium Development Goals came from countries' own funds, one might expect that national systems for their effective management would be in place and waiting for SDG funds. Given that domestic revenues will be by far the main source of SDG funding, and the least risk-averse of all the types of funding under consideration, if national systems are not in place, they very much need to be. In this connection, this chapter considers the contrasting experiences of two low-income countries in seeking to strengthen public financial management in the important area of decentralised government. It concludes that it is not a lack of possible ways forward that is the problem, but the absence of an international focus on the issue. Given that the SDGs apply to all countries and their governments, the financial management of funds deployed to achieve them is in the interests of all, needs to be pursued as such, and should have been explicitly addressed at the Addis conference.

"Realpolitik" and the flawed agenda at Addis

Nobody likes to be asked 'where did the money go?' The question contains an implicit accusation of possible misuse, and it also questions the right of governments to decide on priorities and the manner in which funds are managed. The former is a slur, the latter a matter of national sovereignty. Understandably, it is easier to discuss the case for how much finance is needed and from where it should come. Here, for potential providers, the debate is bound up in moral, strategic and mutual interest financial discourses and is played out in international forums and bilateral negotiations. In these, international financing can be seen to be very much an inter-institutional affair, the players being governments, international organisations – both development and financial – and private-sector corporations and funds. Civil society seeks to influence the policy environment, but tends to remain outside the tent more often than inside through no fault of own.

In the case of Addis, poverty and inequality were two of the more important conditions that the governments and other institutional actors attending were asked to address. However, they were not asked to consider the pernicious effects of poor financial management practices on the poor – deliberate or not. Nor were they asked to consider the ways that financial mismanagement is often a basis for promoting and perpetuating growth in inequality, whether by design or by default. Wade's study of canal irrigation in south India describes how the engineers operated and maintained the canals in line with the incentives of a well-institutionalized system of bureaucratic corruption (based on auctions for the franchises to particular posts in particular places, at each rank); and that the resulting practices lowered the productivity of canal-irrigated agriculture. As Wade wrote at the time, some 30 years ago ago: ".. higher inequality reduces the effect of growth on poverty not mainly by the arithmetic translation of growth into poverty reduction, but by creating and sustaining economic and power structures in which the poor have few income opportunities and few competitors for their political support."[2] Corruption reflects and reproduces relations of power and in so doing, both poverty and inequality.

I use this example deliberately as it reveals the 'norm of mismanagement' in the everyday practices of government officials, the institutional tolerance of such practices, and the institutionalisation of these practices. Given that is it is the norm in many countries, it is hardly surprising that the concerned governments and their representatives lack institutional and, on occasion, personal interest in bringing fund management on to the table as part of a broader discussion of PFM. It could also be the case that potential fund providers might not wish to question how these same funds are used as there could well be difficult concerns expressed from their own tax payers in addition to potential costs to donors' relations with recipient governments. However, if there is a standard twenty percent 'fee' attached to the receipt of government contracts then considerable funds, domestic or international, are not going to the purposes for which they have been ostensibly allocated (Webster, 2015).

There is another factor as well. If, for whatever reason, developing countries feel unease about discussing the management of financial resources in their own countries, matched by the unwillingness of the developed countries to address the need for stronger global economic governance and the proposal to create an intergovernmental tax body in particular. When more stringent financial management instruments at the global level are opposed by the OECD and its members, then developing countries can feel justified in ensuring that they do not have to hang their own financial washing out – dirty or clean.

Whether by default or design, it was a flawed agenda in Addis Ababa; one in which rich and poor countries' governments were a little complicit in agreeing what not to agree upon; what not to go into too much detail on. Realpolitik shaped the rules of the game played.

It was largely left to civil society organisations and their various alliances to raise these issues on economic governance and financial management. Here, a combination of history, morality, and politics resulted in the focus of civil society tending more towards the issues of global economic governance, taxation specifically, than the domestic management of funds within lower and middle income countries. Corporate industry is an easier and possibly more acceptable target than a poorly trained and paid civil service in the south.

The tension between strong government and downward accountability

Ethiopia transformed its PFM over a period of twelve years from 1996 such that by 2008 it was accredited as having the third best system in Africa judged against international standards (World Bank, 2010). The circumstances were far from conducive to such a success. A long civil war had finally led to the removal of Mengistu Haile Mariam and the Dergue regime in 1991, but left Ethiopia with a government based on a fragile coalition of ethnic movements loosely gathered under the Ethiopian People's Revolutionary Democratic Front (EPRDF) with the Tigray People's Liberation Front (TPLF) the effective core. The bureaucracy was both demoralised and held in part responsible for much that had been implemented under the Dergue, in addition, famine on top of chronic food insecurity and a further war with Eritrea added to the challenges faced.

To manage the politics of the situation, ethnic-based decentralisation was pursued through the creation of nine federal states with local government structures of woredas (district councils) and kebeles (village and town councils). Revenue and expenditure assignments were then made to these bodies. Peterson describes how an intensive PFM reform launched in 1996 brought the country's financial system up to international standards by 2008 (Peterson 2011). This success is put down to the home-grown nature of the reforms, which permitted adaption to national and local contexts and a strong sense of ownership at each level. The strong political will behind the reforms, with their strong top-down approach to the decentralisation, especially fiscal decentralisation, informed a strategy that built upon the factors of context, ownership and purpose to ensure that implementation was effective and sustainable.

PFM reforms in Ethiopia can be regarded as a product of the country's political struggles and the strong government that has emerged. Samuel P. Huntington began his work 'Political Order in Changing Societies' with the statement, 'The most important political distinction among countries concerns not their form of government but their degree of government' (Huntington 1967: 1). The importance of a coherent and capable state that can secure such a reform process appears to be exemplified by Ethiopia. But where is the downward accountability in such an approach and what form does it take? In the short term it is largely absent; the hope is that pressure emerges for greater downward accountability as a part of democratisation in the longer term.

Nepal has taken an alternative path. Few can credit the state of Nepal with being coherent and capable. It has struggled to manage the peace process set in motion in 2006 through a peace agreement that brought the political parties and the Maoists together in a commitment to establish a secular and democratic federal republic of Nepal. The new constitution was first approved in September of 2015, but much remains to be finalised, and much that is already in the constitution is being contested. Social exclusion remains an issue, state-building appears to be faltering and corruption and the financial mismanagement of public funds are major concerns.[3]

Yet Nepal has also achieved significant progress in implementing a fiscal decentralisation reform programme in which the driving force has been not so much the political commitment of the government, as in Ethiopia, but rather the use of instruments for downward accountability that can supplement and strengthen the more 'normal' mechanisms of upward accountability that assessments based on international standards normally look to.

The core of the approach in Nepal centres around the use of a Performance Based Grant System (PBGS) and an annual assessment of local government bodies based upon a combination of minimum conditions and performance measures. Minimum conditions must be reached if grants are to be allocated, while performance measures use indicators to assess how well key financial responsibilities are being undertaken by local bodies, and good performance triggers additional grant allocations. Weaknesses identified by poor performance are addressed with capacity grants.

As in Ethiopia, ownership of the reform agenda is central. In Nepal the PBGS instruments have been developed from the country's own financial rules and regulations, and the monitoring and assessment have been conducted by the government's own institutions. Required activities in the management of funds by local government (minimum conditions for receiving unallocated grants) are selected with thresholds that recognise not just what should be 'standard practice', but also what can realistically be expected of a local body, given the human resources available. Downward accountability is emphasised as much as upward accountability, for example, the use of participatory planning, the holding of public planning and budget meetings, and public audits involving local civil-society organisations. Equity is practised through use of a formula to allocate funds via the PBGS that reflects such factors as local costs, size of administrative area and population. Transparency is practised through annual assessments by the local bodies which are presented to the media and placed on the website of the Ministry of Federal Affairs and Local Development, together with the grant allocations made on the basis of the assessment and the formula applied.

The case of Nepal is an example of financial management instruments being used in such a way as to influence the effectiveness, efficiency and accountability of local government. Given the absence of elected councils since 2002 and the failings of government at the national level, the extent to which Nepal's local government bodies have managed to function is quite impressive. The reform process remains vulnerable to the national political will in particular, and that is a major challenge. National politicians and bureaucrats can oppose progress and undermine its impact on local development, poverty and inequality. It is also the case that to date the reform has not defeated corruption and other forms of local financial mis-management, but studies suggest that the results are positive and significant, that the approach has popular backing and that a new dynamic has been introduced into one important area of local development. The deconcentrated administrative bodies remain resistant, however, a position reinforced by their national ministries, which

seek to retain budget share and control, and the generally top-driven engagement in local service provision. In addition, the country has not attempted to incentivise good performance in financial management at the national level, and the political leadership appears to have little interest in doing so.

Does the example of Nepal leave us with the conclusion that political elites are more important to financial policy and practice than democratic pressure? If so, then the flawed agenda might be difficult to change, at least if the current orientation of the governments' interests remains. If, however, fiscal decentralisation can be introduced as a reform programme that is nationally owned, context-specific., and structured in a way that prevents local elites from capturing funds or wresting power from their national counterparts, there might be a way forward, possibly even a win-win reform agenda to promote.

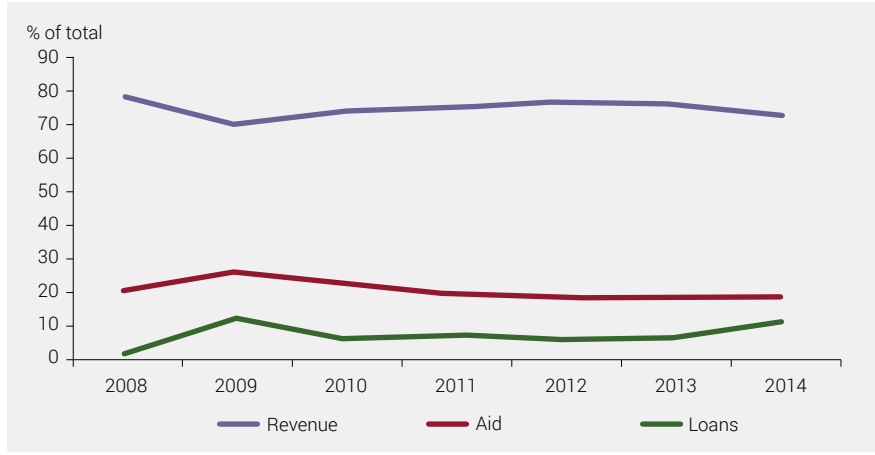
Fiscal decentralisation as a way forward for strengthening the performance of SDGs?

Can a decentralisation reform that emphasises fiscal responsibility linked to devolution secure a more effective and efficient use of development funds? In that the reform agenda focuses on financial management and fiscal processes, it appears far less 'political' than decentralisation reforms that talk of reforming the public administration or the nature of representation in order to strengthen local government. In addition, the effective and efficient use of funds translates into good local service provision, better local infrastructure and increased local economic growth. These are good for the economy, good for the polity and thereby good for the national political elite.

Can such a reform agenda be accepted as a critical element in the pursuit of the SDGs over the next fifteen years? Not everyone thinks so. International agencies tend to show a cyclical interest in decentralisation and complement this with a general distrust of moves towards the local management of development funds. 'Elite capture' tends to be a concept common to much that is written on decentralised government from the policy angle. This is a little odd given the willingness of international agencies to entrust large sums to non-governmental agencies in the name of strengthening civil society, reducing administrative costs, encouraging more flexible approaches to service provision, etc. Whether such organisations can be described as operating in a manner that is accountable to the governments and populations of the countries in which they operate is questionable.[4]

However, ODA will decline in respect of its financial contribution to the efforts aimed at achieving the SDGs. The contribution from domestic revenue generation has been the most important source of funding for the MDGs and will continue to be so for the SDGs. Figure 1 shows that the low- and middle-income countries monitored by Government Spending Watch (GSW) are financing 77 percent of their spending from revenue. This figure was as low as 46 percent in 2000 and has been relatively constant since 2008.[5]

Figure 1. Budget Financing Sources (% of total)



Source: Government Spending Watch 2015 Report, Financing the Sustainable Development Goals, p. 32.

As such, government revenue is the most important and reliable source of funding available, more so than ODA and risk-averse private-sector funds. Local revenues also best meet the criteria indicated in the Ethiopian example discussed earlier, being more sensitive to the four principles of context, ownership, purpose and strategy. While it is estimated that governments have been funding 77 percent of the MDGs' spending needs themselves,[6] the scale of funding for the SDGs is estimated to be considerably greater, at least USD 1.5 trillion extra a year. Within domestic revenues, tax revenues from the population are central, particularly when major of sources of revenue from natural resources (oil, gas, forestry, fishing) are lacking.

In most low-income countries, the majority of the population does not pay income tax. In Nepal 22 percent of government revenue is from income, profit and capital gains; taxes on sales and services constitute nearly 46 percent, while duties on international trade provide nearly 20 percent. The averages, unweighted, in OECD countries are 34 percent for income and capital gains and 33 percent for goods and services. While the basis for raising and collecting income tax is much weaker, the potential is still considerable in a country such as Nepal.

However, tax-payers tend to be reluctant contributors if they feel their taxes are not being effectively utilised and visibly so. Hence transparency, data collection, reporting and monitoring are all important. When funds are well managed and perceived to be well managed, their collection tends to be easier. It is no coincidence that strong PFM, political stability, tax revenues and progress towards the MDGs are found to be quite closely correlated, even if causation cannot be proved (World Bank 2011). PFM in which accountability and transparency are very much central and actively promoted is a way to bring such tax revenues into a government's budget, not least for achieving the SDGs.

Can PFM reforms be implemented?

If governments are reluctant to bring economic governance and financial management into the mainstream of financing for development, how might pressure be exerted and by whom? The challenge is not to convince governments that these issues are important, but to make them realise that others see them as important enough to be mainstreamed on international agendas. There is a general consensus as to what constitutes effective public financial management, with a focus on the circuit of planning, budgeting, monitoring, maintenance of accounts, audits and reporting, running through which are the accepted themes of accountability and transparency. This consensus must be linked to clear policies and strategies for their implementation.

Transparency is important, as it facilitates downward accountability, which requires engagement through elections, participatory planning, public audits, etc. It also requires a popular desire to challenge mismanagement. Here participatory research has demonstrated that problems of corruption do have a defining influence on whether or not people view their governments as effective, fair and responsive. In addition, corruption is seen to strongly affect whether and how resources, services and other forms of intended support (e.g. social protection) are distributed and made available to the poorest (Leavy and Howard 2013; CAFOD 2013; UNDP and OHCHR 2013).

Table 1. Perceptions of corruption

	All countries	Low income	Lower-middle income	Upper-middle income	High income
Corruption is a problem	4.1	4.1	4.1	4.3	3.8

Note: On a scale from 1 to 5, where 5 indicates that people think corruption is a very serious problem.

Source: Global Corruption Barometer (2013).

Taking this level of popular support, and looking at fiscal decentralisation as a point of entry, the suggestion would be to work with what is in place in terms of existing financial rules and regulations for government bodies; incentivise these such that good performances are rewarded at the institutional level and poor performances are sanctioned by reductions in funding; make the assessments realistic and the results fully transparent; work with a clear media strategy; and encourage civil-society involvement to help monitor and pursue accountability.

To do this by taking local government as a possible starting point requires recognising that devolved and deconcentrated local bodies are not the same. The greatest challenge in the reform process is that most low- and middle-income governments are reluctant to devolve expenditure and revenue assignments to locally elected bodies, tending instead to operate more through deconcentrated line agencies. The introduction of greater and stronger downward accountability in the deconcentrated entities is not so easy, tends to be less inclusive where present, and has fewer instruments with which to sanction poor performance. Effective PFM requires central governments to work a little more 'hands off' – to guide, monitor and assess, but not control directly. Engage the citizens in the management of their funds or the funds given to support them.

Table 2 lists the basic distinctions between devolved and deconcentrated local government entities. In practice, many variations exist.

Table 2. Features of devolved local government entities
(versus deconcentrated entities)

	Devolution	Deconcentration
Local entity	Local government	Local administration
Legal characteristics	Corporate body (can assist and engage in financial transactions, sue and be sued in its own name)	Part of national/state administration
Political characteristics	Own political leadership (elected local council and/or local executive); adopts own budget	No political decision-making power (advisory council, if any)
Administrative characteristics	Local government appoints own officers and has discretion over own human resources	Local staff are a hierarchical part of national civil service
Fiscal characteristics	■ Has own budget (separate from higher level government); can carry forward balance from year-to-year ■ Has own budget accounts ■ Can raise funds and retains own revenues in own budget ■ Can incur liabilities by borrowing on its own account	■ Budget of jurisdiction is part of national budget as (sub-)organisation ■ Budget is approved by higher level government (e.g. parliament) ■ Finances are a part of Consolidated Treasury Account ■ Any revenues belong to central government

Source: Boex, J. (2011: 5).

Concluding comments

Returning to the issue of where funding for the SDGs will come from, domestic revenues will be the principal source, but wherever funding for the SDGs comes from, a common expectation must be the need for efficient government spending.

Schmidt-Traub, Executive Director of the UN's Sustainable Development Solutions Network, notes: 'baseline government spending is often subject to substantial inefficiencies, including poor targeting, poor operational practice, the use of "ghost workers," and poor M&E. Addressing such inefficiencies as part of a scaling-up of government spending for the SDGs may free up substantial resources and can have significant implications for other parts of the economy' (Schmidt-Traub 2015: 115). The problem is, as Schmidt-Traub recognises, there is not the information available currently to assess the extent and level of inefficiencies present in governments' expenditures. The same 'information problem' affects a recent World Bank study of PFM quality with respect to country characteristics on the one hand, and the effects on areas such as allocative and operational efficiency on the other. It concludes that while findings are consistent with positive linkages, they are not conclusive; essentially the data is inadequate to extrapolate further (Fritz et al. 2013).

So the clear need is for more data, better monitoring, and the use of benchmarking and clear reporting. In the case of the financial contributions of low-income countries to achieving the SDGs, 50 percent of central government budgets in these countries are estimated to be for SDG-related investments. Assuming a 7 percent growth rate, the share of the national budget needs to increase to 60 percent, with the percentage in terms of GDP rising from an estimated 15 percent to 17 percent (Schmidt-Traub 2015: 117-118). If domestic funds are managed poorly and government bodies are not held accountable, then other funds provided to achieve the SDGs will suffer similarly.

Expanding the set of stakeholders to include service recipients and taxpayers in the allocation, management and monitoring is one important step in securing stronger PFM; fiscal decentralisation has worked in Ethiopia and Nepal to a degree. But the starting point needs to be a clear reform agenda that is promoted universally.

Given the lack of attention to such issues at the Addis Ababa conference, the challenge remains to bring all parties to the negotiating table and to formulate a set of policies and strategies that promote better financial and economic governance at the global, national and local levels. If governments, their coalitions and the UN are only prepared to pursue lowest common denominator politics in order to secure consensus and thereby agreement, the SDG value of each dollar raised will continue to be reduced.

1 Effective as in having the best activities designed to achieving agreed outputs, with monitoring and evaluation systems to ensure that results are achieved. Efficient as in ensuring timing, coordination, sequencing, reporting, etc. occur as and when they should.
2 Wade 1982: 393.
3 See a wealth of literature on the accountability of civil society, e.g. Banks and Hume (2012), Pearce (2000), Whaites (2000).
4 GSW data is based on 52 countries in 2008, increasing to 66 in 2013: 28 LICs, 29 LMICs and 9 MICs.
5 Ibid. p. 37.

The case of Zambia:

POLICY-MAKERS AND CLIMATE FINANCING IN AFRICAN LDCs

By: Mikkel Funder

Introduction

What matters to African governments in climate financing? When it comes to global agreements and negotiations such as the UNFCCC and Financing for Development (FfD) processes, the positions of African governments are relatively well known. However, much less attention has been paid to the domestic politics and interests in climate financing in African countries or to how these relate to the multilateral UN negotiations. Understanding this is increasingly important, as the historic COP21 agreement in Paris is based on national aims and plans, and without their successful implementation, the entire global agreement will fail. Appreciating domestic political interests and dynamics in respect of climate financing in African countries is therefore just as important as it is to understand the motives and interests that drive (and sometimes derail) climate financing in the North. If collaboration on global climate financing is to succeed, mutual understanding of the interests that lie beyond the formal negotiating tables is critical.

The politics and economies of African countries are obviously hugely diverse, and any attempt to deal with the matter in a handful of pages will, of course, only skim the surface. This chapter draws particularly on work conducted under the Climate Change and Rural Institutions research programme in Zambia, a Least Developed Country (LDC). Some of the points made here are thus particular to LDCs, which are also often among the most climate vulnerable countries. Even so, several of the points made here also apply to more advanced African economies such as Kenya, where other DIIS studies have been conducted (Christoplos et al. 2014b).

Following an introduction to the overall position of African governments in the FfD and UNFCCC negotiations, the paper discusses key interests of Zambian policy-makers in climate change financing on the 'home front' and shows how they relate to the FDD and related processes. It concludes with a discussion of the implications of providing climate financing to developing countries.

FfD and climate funding: African positions

When African negotiators arrived at the 2015 FFD summit in Addis Ababa, they faced a balancing act on climate financing. On the one hand, this was an opportunity to put pressure on the countries of the North to live up to their commitments to provide climate funding for the South. On the other hand, they weren't keen to talk too much about climate financing.

That was not because it didn't matter to them, but because they were trying to avoid the FfD talks becoming a means for Northern governments to shift or blur their responsibilities for climate financing. Along with other G77 members, African governments argue that climate funding should be additional to development financing and that it should primarily come from the North through the principle of Common But Differentiated Responsibilities. African governments are worried that, if development and climate financing are mixed into the same pot, Northern governments will merely re-allocate existing development financing to climate change goals, rather than adding new funds. They are also concerned that the emphasis in FfD talks on private-sector investments and domestic resource mobilization will become a means for Northern governments to shy away from their own climate financing responsibilities by diverting the task to unpredictable global markets and the developing countries themselves.

These concerns were also reflected in the position paper drawn up by the G77 and China prior to the Addis conference, which emphasized that (i) the main forum for discussing climate financing should be the UNFCCC, (ii) climate finance should not be double-counted as ODA, and (iii) climate change should not become a 'substitute' for FfD discussions of other development and environment funding needs (UN 2015a: 2). The paper also emphasized the need for urgent action on the Green Climate Fund, one of the key mechanisms in the commitment made by developed countries to provide USD 100 billion a year to developing countries by 2020. Similar sentiments were expressed during UN/AU consultations prior to the conference (UNESC 2015a).

Did this position succeed at the Addis conference? Only partly. The Addis Ababa Action Plan confirms that the UNFCCC is the primary multilateral platform for 'negotiating climate change' in general, but says nothing about how and through what mechanisms climate financing in particular should be negotiated. The Action Plan mentions the principle of Common But Differentiated Responsibilities (although only in climate terms, rather than more broadly, as the LDCs had wished), and re-affirms the commitment of developed countries to mobilise USD 100 billion per year in climate financing. In so doing it emphasizes the role of the Green Climate Fund, including its basic principles of a 50:50 balance between mitigation and adaptation, and a criterion that at least 50% of adaptation funding should go to LCDs, SIDS and African countries. However, these principles were established well before Addis, and the Action Plan is silent on the issue of double-counting ODA and climate finance.

After the FfD conference in Addis Ababa, many observers agreed that one of the positive outcomes was a greater emphasis on the interconnectedness of development and climate issues. This has since been increased in the adoption of the Sustainable Development Goals, where climate change – apart from having its own goal – is weaved into a number of other goals. While that makes perfectly good sense to everyone involved, there has been little progress in addressing the associated risk foreseen by African governments, namely that climate funding will be sourced from existing development funding rather than consisting of additional funds.

By contrast, many African governments have been increasingly vocal in demanding climate funding in the UNFCCC negotiations, which is where they feel financing negotiations rightfully belong. Since COP15 in Copenhagen, the Africa Group has developed a stronger common position, which in terms of financing has had a strong focus on getting the Green Climate Fund operational and on securing a UNFCCC agreement which specifies clear funding commitments and mechanisms to transfer funds from North to South. The LDC group has taken a similar position, emphasizing the need to keep the Least Developed Countries Fund (LCDF) replenished, as well as a Loss and Damage mechanism to compensate for irreversible climate change impacts (LDC Group 2014a/2014b).

These positions were also evident at COP21 in Paris (see Funder 2015c for a discussion of gains and losses for the LDCs at COP21). The Paris agreement hinges on national goals and plans, the so-called Intended Nationally Determined Contributions (INDCs) of developed countries. It is notable that the INDCs of most African countries have placed a strong emphasis on making their intended emission reductions dependent on financing from the North, thereby highlighting how the INDCs have become strategic vehicles for climate financing politics.

The domestic politics of climate financing: the case of Zambia

While the positions of African governments are relatively well known in terms of the global climate negotiations, less attention has been paid to the national politics of climate change in African countries. To what extent does climate financing actually matter for national decision-makers in domestic politics? This is discussed in what follows, drawing on the case of Zambia as an example of a vulnerable LDC (Funder et al. 2013; Mweemba et al. in preparation).

On the face of it, efforts to address climate change in Zambia may seem to be an entirely donor-driven agenda: the substantial influence of the international development banks and donors on Zambia's economy and policies from the 1980s to the early 2000s has been well described (e.g. by Rakner 2012). In terms of climate change, a review of the historical development of Zambia's climate framework shows how virtually all major institutional developments and interventions have been funded and influenced by multilateral and bilateral donors (Funder et al. 2013). In recent years, economic growth rates of 5-7% and the growing influence of Chinese, South African and other private-sector investments has led to a significantly reduced aid dependency in Zambia. However, in one area the old ties with western ODA and associated financial flows remain strong, namely climate change. It is estimated that some USD 700 million are currently pledged towards climate change-supported programmes in Zambia for the period 2012-2017 (Government of Zambia 2011).

There is little doubt, then, that donors have played a central role in developing the institutional framework and introducing the broader policy discourse on climate change in Zambia. Significantly, however, this does not mean that the climate change agenda in Zambia is only a donors' construction. Africa's political elites have never been mere puppets in the hands of donors, and in Zambia they have played a greater role in reshaping donor agendas in national policies than is sometimes thought (Fraser 2009). Indeed, from a domestic political perspective, climate change financing serves the interests of national political elites on several fronts, which can be roughly summarized as (i) a means of addressing national economic concerns and opportunities, (ii) a platform for the politics of food security and disasters, and (iii) an instrument for state building. The following sections elaborate on this.

Energy security

Like most other African countries, Zambia's energy needs are growing, as industries and urban areas expand and rural populations ¬grow. More than 90% of Zambia's electricity production is based on hydropower, and a range of new dams are being constructed. However, recent studies suggest that climate change may impact negatively on the country's hydropower capacity (Beilfuss 2012, Fant et al. 2013). Traditionally, such studies have had little impact on national policy-making, but recent years have seen Zambia's policy-makers pay increasing attention to the issue. Most recently, in 2015, low water levels in the country's hydropower reservoirs led to nationwide power cuts and severely impacted the the all-important copper mines (see e.g. Reuters 2015). The underlying causes of these water shortages are

complex, but the government attributed them to drought and climate change. Diversifying electricity production has become a matter of some concern for the government, which sees climate financing as one vehicle for this. Accordingly, the government has announced ambitious plans to employ solar energy as a key instrument in tripling national energy production from the currently quite limited 2000 MW capacity. These are not mere dreams: as part of the US Aid-coordinated Power Africa programme, German and Italian investors have been recruited to fund a major solar power project which will increase the country's installed energy production capacity by 25% within the next five years. In line with this, donors are working to facilitate links to rural electrification, thereby ensuring that it is not only the copper mines that benefit from these developments.

Infrastructure and exports

During the debt crisis of the 1980s and 1990s, Zambia's transport infrastructure decayed considerably, and despite major recent investments, road infrastructure remains the Achilles heel of the economy. The current national development plan foresees necessary infrastructure investments of approximately USD 500 million, with an estimated 52% funding gap. The long-term maintenance costs of these investments are compounded by the increasingly obvious impacts of climate change on road infrastructure. For example, the developing regional transport corridor in southern Zambia is regularly hampered by floods. While the bulk of infrastructure financing will be sourced elsewhere, the government has eagerly engaged climate financing as a means to upgrade and build flood-prone roads. A programme under the Climate Investment Funds is currently piloting climate-resilient road development as part of this strategy. Similar concerns have emerged in agriculture: Zambia has significant untapped surface and groundwater resources, which ultimately give the country the potential as a breadbasket for the region, including the development of 'virtual water' markets with, for example, South Africa. Since 2000, agricultural exports such as sugar, tobacco and maize have grown significantly. Changing rainfall patterns, however, are seen by some high-level ministerial staff as a threat to these prospects, a concern backed by studies showing a clear correlation between rainfall, agricultural production and GDP in Zambia (Jain 2007, Thurlow et al. 2009).

The politics of food security

National political interests in climate financing are also related to the somewhat sensitive issue of food security and food prices in Zambian politics. Zambia's agricultural sector remains overshadowed by the copper industry and the tendency for capital flows and government policies to favour the latter. The historically very limited transfer of revenues from the mining sector to smallholder agriculture means that the latter continues to struggle, and production yields are low. Current agricultural policy is now in principle focused on developing smallholder agriculture. Providing some form of support to smallholder farmers through seed and fertilizer packages is therefore important to ensure continued political support for the central government. In the late 1980s and 1990s, dissatisfaction with escalating food prices led to urban riots and played a significant role in President Kaunda's fall from power. In an otherwise fairly peaceful country, these events are well remembered by national politicians, who have an interest in being seen to address agriculture and food security issues. Climate change adaptation efforts provide a means of displaying action in this respect, especially in relation to the strongly populist stance of recent Zambian presidents. A cynical analysis would point out that addressing such issues also conveniently detracts attention from less popular government policies, such as the influence of China on the national economy and the government's support to large-scale commercial farming.

Disasters as 'must act' situations

Since the early 1990s, floods and droughts have increasingly been publicized in national newspapers and reported on TV in Zambia. Today, floods and droughts in even the most isolated areas are typically picked up and reported on by national media, and questions are asked of responsible ministers regarding how they will respond. The frequent and dramatic nature of such disasters not only makes them attractive to the media, but also creates an obvious platform for local politicians and pressure groups to assert pressure on central government. In recent years, floods have also occurred at the heart of the nation's capital, thereby also bringing the emerging middle class into play. As floods and droughts have increasingly become part of the climate change agenda (nominally or de facto), it has become a matter of some priority for the political leadership to act on disasters in order to ensure continued support from followers and voters. As in most other countries, it also provides an opportunity to demonstrate statesmanship and assert national authority: visits by ministers to disaster-affected areas are thus a predictable part of the post-disaster process in Zambia.

Funding the civil service

The funds available through climate financing are, as already mentioned, not insignificant and are seen by policy-makers and ministerial staff alike as a means to help the government implement activities that would not otherwise be undertaken. In Zambia, this includes agricultural and natural resource management programmes and extension activities, which are of little interest to alternative sources of funds

such as Chinese and South African investors. While development cooperation rarely provides core funding to the various line agencies, it is often this funding that allows actual implementation to take place. This is particularly so at the subnational levels, where departments of agriculture, livestock, fisheries, forestry etc. were significantly cut back during the structural adjustment programmes of the 1990s and 2000s, leaving the deconcentrated civil service and technical line agencies fragmented and understaffed. Alongside other funding for rural development, climate financing for adaptation has provided a convenient means to 'fuel the motorbikes' of budget-starved technical line agencies on the ground. In some cases, the arrival of a donor-funded climate programme has even led to a parallel reduction in central government funding to the agencies concerned.

Institutional authority and resource control

Climate adaptation and mitigation responses also serve as a means for the central state to assert its authority, legitimacy and resource control in rural areas where African governments often have limited de facto reach and where their authority may be contested. In Zambia, climate change adaptation has become a means for the state to legitimately gain control over land and water at the agricultural frontier and to reshape local cattle-based livelihoods into sedentary cash-crop economies (Funder et al. 2015a). By acting on adaptation through, for example, agricultural extension and the resettlement of flood-prone communities, the central state also seeks to enter into a social contract with its citizens in a context where several forces, including local politicians, local governments, chiefs and civil-society organisations, compete for authority. A similar process can be observed in Zimbabwe and Mozambique, and more generally in the REDD schemes for forest carbon financing throughout Africa (op. cit.).

The limits to climate financing

Climate change, then, is not merely a donor agenda in Zambia, and climate financing is of interest to national policy-makers in several respects. That said, it must also be emphasized that climate financing is by no means at 'the top' of the agenda for political elites in Zambia, being seen as just one opportunity among many others, and one that should primarily be pursued through external funding, not government budgets. Although climate resilience has in principle been mainstreamed into national development plans, non-donor government allocation to climate interventions remains limited (see below).

It should also be noted that the driving rationales for the most interested policy-makers and civil servants is national economic development and popular support, not green idealism. This is evident in the fact that, alongside the embracing of climate goals, the government continues to pursue parallel high-carbon polices. The current 2013-2016 national development plan thus includes plans to establish a 300 MW coal-fired power plant and a heavy fuel-oil power plant. Meanwhile, oil exploration is underway in some forty oil blocks. These and other ventures form part of what is first and foremost an overall concern with ensuring national energy security and self-sufficiency at a time when demand is outstripping supply. Alternative sources of energy are one means to achieve this goal, which is then pursued alongside other approaches, such as coal and oil.

Rather than a fully-fledged holistic strategy, climate financing in Zambia and most other African countries is therefore best understood at present as an economic and political 'sub-sector' that is developing as one arena among several others within the broader fields of national economic development and domestic politics.

Moreover, as in any other country, political efforts to secure popular support do not automatically lead to climate-friendly policies. From 2009-2013 petroleum subsidies are estimated to have cost Zambia's national budget some USD 500 million, leading the late President Sata to remove them in 2013. This decision was met with enthusiasm in donor quarters, but was not well received among voters. Although subsidies have not been reintroduced, the ability to provide cheap fuel for urban voters can be seen as one of the many political temptations that are currently driving oil exploration. Likewise, while climate-resilient farming methods such as conservation agriculture are a formal government policy, they are often constrained on the ground by long-standing patronage contracts whereby political elites provide conventional seed and fertilizer packages in return for votes.

It is also important to appreciate that, like everywhere else, gesture politics is an inherent part of climate narratives. In Zambia, this is particularly so when it comes to rural adaptation efforts: while these are touted as efforts to address the needs of the rural poor, they are far from always followed through in substance. A key problem in multilateral and bilateral adaptation funding in Zambia and elsewhere is that it remains controlled by central government, which are reluctant to relinquish control of planning and associated financing (Funder et al. 2013). The result is that funds either never arrive at the local levels, or are dispensed through inflexible one-size-fits-all policies that do not address local adaptation needs, or which only favour the better-off farmers (Christoplos et al. 2014, Mweemba et al. in preparation).

Domestic priorities and global negotiation positions

As the above discussion indicates, the interests and positions of African governments in respect of climate financing have many layers and are driven by more than short-term opportunism. Behind the global negotiating positions lies a nascent but emerging field of domestic climate politics, linked tightly to national political economies and histories. These domestic interests represent a potential point of collaboration in UN negotiation processes such as the FfD, SDG and UNFCCC, but are sometimes overlooked, as they are hidden beneath broader negotiating tactics.

For example, as discussed above, the Zambian government increasingly perceives climate change as an arena relevant to national economic development, state authority and voter support. However, this was not explicitly reflected in Zambia's interventions at the FfD summit in Addis Ababa. Instead, the country focused on the importance of general development financing by improving private capital flows, addressing tax evasion and ensuring reliable ODA (Government of Zambia 2015a). The topic of climate financing was deliberately played down, in accordance with the common G77 position that climate financing should be kept separate in order to ensure additionality. Outside the FfD process, however, Zambia has been actively calling for greater urgency regarding the Green Climate Fund, and it has continued this pressure even after the Fund recently became operational. Zambia has also placed great emphasis on the critical need for climate financing in its submission to the COP 21 conference in Paris, to the extent that the country's pledges were 'conditional and dependent' on multilateral and bilateral support and financing (Government of Zambia 2015b).

The tendency for domestic priorities to be hidden beneath strategic negotiating tactics is also evident in the UNFCCC process: like many other LDCs, Zambia has an interest in pressuring the BRICS to contribute more to mitigation and climate financing. Such interests are sometimes articulated through the LDC group and the Africa Group, and have at times formed the basis of alliances between the EU and LDCs in climate negotiations (van Schaik 2012). Nevertheless, at the end of the day Zambia and most other African countries have tended to align with the G77+China group on the pivotal UNFCCC issues. A key driver in this respect is the strategic advantage of having the clout of China and India on their side in negotiations with the North. Some observers suggest that broader trade interests also play a role (Vihma 2015).

A critical factor in these strategic manoeuvres is the longstanding gap in trust between the South and North in the climate arena (Commission on Climate Change and Development 2009). Although important advances were made on this issue at COP21 (Funder 2015c), it remains contentious and is one major reason why LDC negotiators tend to see efforts to integrate climate financing in FfD talks as suspect. A similar rationale lies behind the scepticism of many LDCs towards the emphasis by Northern negotiators on private-sector climate financing. Most LDCs tend to emphasize the importance of public climate financing commitments on the part of the North (IIED 2014). While many LDCs – including Zambia – are extremely interested in attracting foreign climate-related investments, they also see it as a possible excuse for Northern governments to shift responsibility for financing towards the private sector. This is particularly problematic for LDCs, which often have the hardest time attracting foreign investments. The trust gap on climate financing goes well beyond climate financing specifically: when African leaders remind the North that the SDGs will require sustained ODA, it is not only a question of opportunism, but also reflects a longstanding distrust of financial pledges from the North (UNESC 2015b).

Implications for climate financing

As discussed above, the distrust and negotiating tactics involved in FfD processes and related frameworks sometimes cloud the more specific interests of LDCs in climate financing, interests that can provide a fruitful ground for actual progress in addressing climate and development issues.

Identifying overlaps between climate goals and domestic policy priorities

One implication of this is the need to place greater emphasis on identifying the overlaps between climate finance goals and the broader interests of national policy-makers. Studies from other fields suggest that, where such overlaps can be found and where they support legitimate development, progress can be made (Buur et al. 2013). In this respect it is dangerous to assume that this has already been "taken care of" in the INDCs. While the INDCs must provide a pivotal framework for climate financing, it should also be kept in mind that they have typically been designed in sections of government that are already focused on climate issues. Ensuring a broader support in other sections of government and de facto commitment from political elites will be critical for the INDCs to succeed.

One example of overlapping interests between climate financing and broader policy interests in LDCs is the current strong interest among Zambia's policy-makers in developing the energy sector and diversifying from the current reliance on hydropower. By facilitating private-sector investments in significant solar power installation, both national economic interests and – ideally - rural development needs are addressed through low-carbon technologies. A similar strategy is followed by the PPCR programme in Zambia, financed through the Climate Investment Funds. This programme has placed emphasis on working with parliamentarians and sector policy-makers on identifying and developing a common ground between climate goals and national priorities in agriculture and rural road development. This has met with some success nationally, although it has also led to trade-offs: the strong focus on bringing national policy-makers 'on board' has meant that the involvement of subnational levels has been cursory so far, thereby highlighting one of the inherent risks that needs to be addressed in such an approach.

A greater emphasis on finding common ground between climate financing and real-world domestic political interests will also accord well with recent calls by LDCs that we need to move beyond one-size-fits-all perceptions of how macroeconomic development in LDCs is best achieved (UNOHRLLS 2014). This also applies to climate financing: although LDCs may ally in global negotiations, they have their own particular adaptation and mitigation needs at home, suggesting a need for climate financing mechanisms that are more flexible and with more national ownership and easier access to global climate financing than has often been the case (African Union 2015). In this respect, the Green Climate Fund appears to have learnt from prior experiences and places a greater emphasis on national control and direct access than some other climate funds, although the extent to which LDCs will be able to control access to private climate flows from the North remains unclear (see page 91).

Holding national governments to account in climate financing

While it is thus important to identify entry points for climate financing that encompass both national interests and climate goals, it is equally critical to address the other side of the coin, namely how citizens and non-state actors can hold governments to account for their use of climate financing. There are two main aspects to this.

First, it is critical to ensure that the 'overlaps' between national interests and climate goals support legitimate development outcomes, that is, that they do not lead to maladaptation or serve only as a vehicle for furthering the state control of natural resources. As climate financing increases and as African governments seek to implement INDCs, there is a risk that, inadvertently or otherwise, they will begin to control adaptation and mitigation interventions so strongly that civil society efforts become marginalised. This is important to avoid, not least because climate adaptation has become a fruitful platform for civil-society organisations to pursue poverty alleviation and rights-based approaches alongside the actual adaptation work (Christoplos et al. 2014). The implication for global climate funds such as the GCF is that national ownership and equal mitigation/adaptation splits aren't enough in themselves to ensure fair and equitable benefits from climate financing: more explicit criteria and mechanisms are needed to ensure that climate financing benefits the poor (Funder et al. 2015b). Aligning global climate financing with the SDGs can provide one possible framework of indicators.

Secondly, subnational and non-state access to climate financing is an important means whereby government control of climate financing can be balanced. This is not only important as a way of avoiding the monopolization of climate funds by the state, but is also critical in terms of ensuring the quality of outcomes from climate financing: while climate change is a global problem that requires global collaboration, it is also clear that subnational institutional frameworks and context-specific solutions are critical to provide the conditions for both adaptation and mitigation to succeed (e.g. Mweemba et al. 2015, Bashashaa et al. 2015).

Addressing risks and opportunities in private-sector investments

LDC governments face a particular challenge in terms of attracting private climate investments: the well-known lesson of the Clean Development Mechanism and other similar schemes is the tendency for investors to target the more advanced and stable economies, with many poorer African countries losing out. Despite the recent high growth rates in African economies – including some LDCs – this remains an issue. Lessons from the Danish Climate Investment Funds, for example, suggest that governance risks are a key concern that leads investors to withhold climate investments.

This highlights the importance of governance work in climate financing. For example, the Lake Turkana Windpower Project currently under construction in northern Kenya is Africa's largest wind farm, and will supply some 15% of the country's planned electricity needs. The mega-project has been challenged by local pastoralist groups who claim that their communal land rights are being violated, and that the land titles held by the project are not legally valid. The conflict is thus about much more than simple procedural issues: It plays into the broader politics of

governance and land rights in Kenya, in a part of the country where the government has traditionally marginalized pastoralist rights and needs (Funder and Ravnkilde 2012). Such cases suggest that the much criticized efforts towards promoting good governance – whether in global UN terms or in bilateral collaboration with governments and civil society – are in fact an important entry point for efforts to promote North-South climate investments. That said, it is also clear that 'governance risks' should always be critically reflected upon: sometimes such labels are merely an excuse for northern investors to prefer more profitable markets, and sometimes South-South investors are not more risk-prone, but simply have a less prejudiced approach to African governments.

A further challenge is the tendency for private investors to focus mainly on mitigation projects and related low-carbon technologies, leading to the important but sometimes overlooked question of how and to what extent private climate financing will be able to 'deliver' on adaptation. As mentioned above, African LDC governments are often a good deal more interested in mitigation projects than is sometimes assumed. These opportunities should be pursued, but they do not help on the adaptation side. Here, traditional donors can play an important role in 'myth-busting' and facilitating investment opportunities in adaptation, which do in fact exist in areas such as water and farming technologies. The ongoing UNOPS/UNEP-DTU Admire project is an example where such an approach is being piloted.

Delivering on public climate financing

Yet even if substantial investments are eventually mobilized, this will not let developed countries or the BRICs 'off the hook'. Public climate finance for developing countries will remain critical for a good while yet, particularly when it comes to ensuring that adaptation is not underfunded. Targeting LDCs through, for example, the LDC fund should also continue to be a priority. Clearly, African governments, including LDCs, should work to mobilize their own funding, especially when it comes to picking up recurrent costs. Civil society can play an important role in monitoring national budget allocations for climate efforts under the INDCs and more broadly, as is currently being piloted in, for example, the PPCR programme in Zambia.

Nevertheless, the commitments of northern governments in climate financing must remain firm, as indeed should those of the BRICs. The concern among African negotiators that the FfD agenda could become a vehicle for clouding the responsibilities of the North in relation to climate financing can only be dispelled by evidence emerging to the contrary. There is nothing wrong with a more integrated approach to development and climate financing, and it may make good sense to mix climate funds and ODA in practice. If this is done, however, development aims must be established for climate funds just as they are for ODA, and crucially, climate funds must be additional to current ODA, not merely re-allocations.

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