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FOCUS

SDG finance

Still underfunded

Unless the agenda of the Sustainable Development Goals (SDGs) is properly funded, it will fail, warns Belay Begashaw of the Kigali-based SDG Center for Africa. According to Stephan Klingebiel of the German Development Institute, high-income countries must move beyond official development assistance (ODA). **PAGES 16, 17**

Improving African tax revenues

In an interdependent world within a globalised economy, no single country can be the autonomous "master of its own destiny". To improve public finance in Africa, national governments must assume responsibility – but they need a facilitating international environment, writes Dereje Alemayehu of the Global Alliance for Tax Justice. **PAGE 20**

Business opportunities

The private sector has much to gain from the SDGs, says Homi Kharas of the Brookings Institution. Investors should pay attention. **PAGE 22**

Ambiguity instead of accountability

The international community still lacks clear rules for what counts as climate finance. This question must be resolved, demands Liane Schalatek, a civil-society active observer in Green Climate Fund proceedings. **PAGE 24**

Future cooperation

All nations must cooperate on SDG achievement. All have something to contribute, and all must prove able to learn. South-south cooperation can help to mobilise funding, and new financial institutions are of increasing relevance, as GIZ experts Luiz Ramalho, Rita Walraf and Ulrich Müller argue. According to Doris Fischer of Würzburg University, China is willing to cooperate at multi-lateral and bilateral levels, but the trade war started by the USA is a serious issue. **PAGES 26, 28**

ODA graduation

In the next 10 years, many emerging markets which are currently classified as middle-income countries are set to become high-income countries. Once they graduate into the high-income category, however, they will no longer be eligible for ODA, so new financing options need to be found. Michael Krempin, a freelance consultant, assesses the matter. **PAGE 30**

Failure is unaffordable

The Sustainable Development Goals (SDGs) add up to a complex agenda which covers all of humanity's urgent issues – from food security to institution building, from primary education to peace, from economic growth to environmental protection. Financing this agenda is a complex challenge in itself.

The international community is grappling with the intricacies. Several aspects are clear. High-income countries must live up to their pledges concerning official development assistance (ODA). But even if they do, more money will be needed. Accordingly, developing countries must shore up their domestic revenue services and collect more taxes. Moreover, middle-income countries must contribute to enhancing capacities and opportunities in poorer countries. And yet more funding will be required. Ultimately, private-sector investments will prove decisive. The SDGs must drive transformation however. Business cannot go on as usual but must be reoriented towards sustainability. Generating profits is not enough. Not only the owners' welfare matters, everyone's does. Environmental side effects must be controlled. Public goods – including good education and health care for everyone – must be provided.

It is a fallacy to believe that state and market are two alternative ways to handle things. They are not opposites, but actually complement one another. To flourish, markets need prudent regulation. And to pass and enforce prudent regulation, governments need the tax revenues that only flourishing markets deliver. Yes, the logic is circular. Governments cannot and must not micromanage economic decisions, but they can and must define the frameworks that guide those decisions in the right directions. Given that the world market transcends national borders, we need multilateral regulations today, and that makes things even more complex.

As the Organisation for Economic Co-operation and Development (OECD) argues in a recent report on SDG finance (see review, p. 32 in this D+C/E+Z e-Paper), the global community must set in motion a virtuous circle, in which intelligent public spending triggers responsible private investments, with clean technologies and good governance reducing the daunting challenges our species faces and opportunities improving for everyone.

In regard to SDG finance, many questions remain to be answered. We lack precise definitions what “south-south cooperation” or “climate finance” mean. ODA is a well-defined category, but its overlaps with climate finance are unacceptably blurry. Some ODA, moreover, is used for environmentally unsustainable purposes. Migrants' remittances and private investments must contribute to funding the SDGs – but nobody is systematically keeping track of the environmental and social impacts.

To achieve the SDGs, we will need more clarity and better reporting. Only serious conceptual work and competent policymaking can bring both about. The bad news is that multilateral settings are currently under attack. The good news is that conceptual work can be done everywhere, and policymaking can begin at every level, starting at the grassroots.

Some people wonder whether the SDG agenda is affordable. The truth is that failure is unaffordable: the costs would include fast accelerating environmental destruction, further disintegration of global relations and ever more fragile peace. If humanity fails to rise to global challenges, all nations will suffer and none will be great.

► You'll find all contributions of our focus section plus related ones on our website – they'll be compiled in next month's briefing section.



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Tribune



Democracy in West Africa

In procedural terms, recent elections in Senegal, Benin and Nigeria left a lot to be desired. That shows that democracy rests on rather shaky foundations in all three countries, as Karim Okanla, a media scholar from Benin, writes. **PAGE 13**

Debate



Problematic EU policy

The EU is cooperating with dubious partners in its attempts to stem migration. This approach may work in the short term, as Nassir Djafari, an economist, points out but in the longer term, it is likely to compound the problems that make people flee. That trend is already becoming evident in Sudan, according to Hans Dembowski of D+C/E+Z. **PAGES 9, 10**

Did India win?

Prime Minister Narendra Modi's BJP won India's recent elections in a landslide. Our India correspondent Aditi Roy Ghatak doubts that people will be satisfied for long. **PAGE 11**

EXPERT ADVICE

En route to a digital future

In a comprehensive study, the German Advisory Council on Global Change (WBGU – Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen) has assessed the pros and cons of digitalisation. It proposes policy options, both at the national and international level. The executive summary was published a few weeks ago. In the eyes of the WBGU, protecting the natural foundations of life and the digital revolution are intricately linked.

By Sabine Balk

According to the WBGU, which was appointed by Germany's Federal Government, digitalisation must be designed in a way that promotes the "transformation to sustainability". Fundamental change is needed in all spheres of life and work. It will affect infrastructure, modes of production, investments, legislation and lifestyles in general. Success will hinge on an innovative interaction of politics, society, science,

economy and individual people, the authors state.

The need for such a transformation is undeniable. International agreements point the way. They include the UN 2030 Agenda with the 17 Sustainable Development Goals (SDGs), the Paris Agreement on climate change as well as the so-called Aichi goals, which were adopted in the context of the UN Convention on Biodiversity in 2010.

Digitalisation has massive impacts on all 17 SDGs, the WBGU argues. The goals cannot not be achieved unless the upsides and downsides of digitalisation are considered properly. Given that environmental degradation is happening fast, the WBGU insists on urgent action. So far, policymakers have been acting far too slow to save the planet, they write, but digitalisation can help to speed up things. Decarbonisation, eco-friendly agriculture, resource efficiency and recycling, emissions reductions and the protection of ecosystems can be made

easier and accelerated thanks to digital innovations.

At the same time, digitalisation itself can cause harm. The risks include:

- digitally driven economic growth that breaches planetary boundaries,
- digital authoritarianism that disempowers individuals,
- automated decision-making that undermines democracy,
- excessive power of private-sector companies that escape government control,
- loss of jobs,
- unequal access to digital technology, resulting in deeper social divides around the world.

In this context, the WBGU considers governments' role to do two things at once.

- On the one hand, they must tap the enormous potential of modern information and communication technologies.
- On the other hand, they must prevent abusive behaviour and controls the risks.

The WBGU wants the EU to assume a role of leadership. The experts make several tangible policy proposals (see box next page). The crucial challenge, in their view, is to enable people to understand what is going on and to actively shape change.

The key is education, according to the WBGU. Scientists must generate the knowl-



Education matters
– secondary school
students in Rwanda.

edge concerning both “digital sustainability” and “sustainable digitalisation”. Governments themselves must become digitally informed and build the capacities required for shaping digitalisation. The authors add that digitalisation will have an impact on the prospects of low income and middle income countries. They see a role for international development agencies to act accordingly.

The WBGU identifies two fundamental dynamics of the digital era:

- Digitalisation must serve to protect the planetary system and safeguard social cohesion, with the SDGs providing the needed guidance.
- Digitalisation must empower a new culture of humanism, preventing digital totalitarianism. The fundamental change that the digitalisation is bringing about must be shaped in a humane way.

For humanity to rise to the challenges, better global governance is indispensable, the WBGU warns. Shared policies and

regulations are needed. Once again, the scholars see the EU as a potential leader. They demand that the EU develop a digitalisation model of its own that is different from the existing models in the USA and China.

LINK

WBGU, 2019: Towards our common digital future (summary).

<https://www.wbgu.de/en/publications/publication/towards-our-common-digital-future>

WBGU proposals

A UN summit should discuss the global implications of digitalisation. This is one of many tangible proposals the German Advisory Council on Global Change (WBGU – Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen) has for policymakers at national as well as international levels.

The WBGU’s starting points are that human dignity must not be violated and that the common good must be safeguarded. According to its latest study (see main story), the top priority must be to protect the natural foundations of life. In this context, digital technology should serve to charge prices for the use of natural resources and ecosystem services. In the eyes of the government-appointed Council, those who damage or deplete the environment must pay commensurate taxes and fees.

The WBGU also sees scope for digitalisation driving decarbonisation and climate protection in the energy sector. Resource efficiency and the transition to renewables are considered essential. Electronic devices, moreover, must be easy to repair and should last

for a long time. The scholars point out that this would serve the principal of recycling. In agriculture, digital applications could reduce the use of pesticides and fertilisers. Other apps could serve awareness raising for environmental issues, the study recommends.

Another WBGU proposal is to apply digital technology to fighting poverty and boosting inclusiveness. Development policies should be geared to building digital sustainability. Once more, climate protection and resource efficiency are priorities. Capacities must be built to fully tap the potential of technology, and the WBGU is in favour of close cooperation with emerging markets. Goals would include better dialogue, increasing research cooperation and more effective global governance.

The WBGU points out that digital change requires an adequate analog foundation. In developing countries, they see the need to strengthen that foundation. Relevant issues include the expansion of infrastructure in general and education in particular. The WBGU demands that the digital divide between disadvantaged

and privileged countries must be closed. Developmental and humanitarian efforts should benefit from digital technology, however, for example in disease control in times of epidemics.

Municipal governance matters very much in the eyes of the WBGU. Local governments must be in the driver’s seat, for instance, to ensure sustainable transportation.

The future of work and the reduction of inequality are further issues that the experts tackle. They predict that workplaces and labour markets will change dramatically, and they want action to be taken in response. It would make sense to reform tax systems. Income and payroll taxes could be reduced, if resource use and environmental harm were taxed properly, they argue. More generally, the WBGU insists that workers’ social protection and occupational safety remain indispensable in the digital era.

The authors appreciate innovative approaches to redistributing incomes and profits in ways that reduce inequality. The universal basic income for all citizens is mentioned favourably, and so is giving staff a direct share of company profits. The challenge is to draft good policies, the WBGU states. Activities that protect the environment and boost social in-

clusion should be encouraged, and that applies to relevant volunteering as well.

The WBGU study emphasises the relevance of education, which should be geared towards digital citizenship. The authors propose adopting a new social contract. According to them, spending on education must count as a serious investment. In practical terms, they want schools and universities to become better funded, teachers to become better trained and curricula better geared to tackling digital topics.

The authors spell out that big data and privacy deserve attention. Governments should ensure that citizens’ data is not abused. The WBGU study proposes negotiating a UN convention on data protection. Such a convention should cover algorithms that benefit from huge databases (big data). Regulations are needed to prevent crime, manipulation and misuse moreover.

Given that the current setting of global governance does not offer a platform to negotiate these matters, the WBGU suggests that a UN summit on sustainability in the digital age should be convened soon. Goals would include adopting a charter and mainstreaming digitalisation issues within the UN system. (sb)

BIODIVERSITY

A million species at risk

The UN World Biodiversity Council has presented its first global report. The findings are alarming. Humanity is destroying nature to such an extent that our own survival is in jeopardy.

By Theresa Krinninger

Plant and animal species are rapidly dying out. That is the conclusion of the Global Assessment Report, the first comprehensive assessment from the World Biodiversity Council. The Council was founded at the UN level in 2012 and has 132 member states. Its official name is the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). The report analyses the status of the UN Convention on Biological Diversity and the goals that were adopted at a summit in Aichi, Japan, in 2010 (see Günter Mitlacher, Debate section, D+C/E+Z e-Paper 2019/01).

Contributors to the report were 145 experts and researchers from over 50 countries. They evaluated thousands of scientific studies on how biodiversity has evolved in the past five decades.

The evidence is overwhelming. According to the report, approximately 1 million of an estimated total of 8 million plant and animal species are at risk of extinction. Unless decisive action is taken, many could disappear forever in coming decades.

According to the report, biodiversity has shrunk by about 20% in most land-based habitats. Over 40% of amphibian species, almost 33% of reef-building corals and over a third of all marine mammals are currently at risk of extinction. The number of domesticated animal species is declining too. By 2016, over nine percent of all domesticated species had died out.

The authors identify the five main factors that are driving species loss:

- The overuse of the land and sea. Three quarters of all land areas and two thirds of the ocean have been drastically altered by human beings.
- The direct exploitation of plants and animals in agriculture, forestry and fishing.

- Climate change: If global temperatures increase by the two degrees Celsius threshold, about five percent of species will disappear; 16% will vanish if temperatures increase by 4.3 degrees.

- Pollution, and in particular the pollution of the seas: plastic pollution has increased tenfold in the oceans since 1980.

- Invasive species that have supplanted native plants and animals. The number of invasive species has increased by 70% worldwide.

Indirect factors matter too. They include human behaviour (production and consumption habits) which is driving the negative trends. Humanity has already exploited natural resources to such a profound extent that it is putting itself at risk, the report argues.

The analyses show that ecosystems and people in South America, Africa and the Asia-Pacific region will be most affected by the negative consequences of species loss.

DECISIVE COUNTERMEASURES

The big question is whether it is still possible to halt species loss. "It's not too late yet,"

says Sir Robert Watson, the IPBES chair, but he insists that "transformative" measures are needed.

The authors of the study describe how countermeasures can still be taken. Change will require international cooperation between states as well as decisive political action to enforce strict environmental protection (see Stephan Opitz, Focus section, D+C/E+Z e-Paper 2019/02). For instance, the scholars state that environmentally harmful subsidies must be abolished worldwide.

The report also delivers non-binding recommendations for governments, concerning issues such as agriculture, fishing, marine and freshwater systems and urban planning. The authors believe that the international community urgently needs to back off from the goal of economic growth.

The entire report is over 1,500 pages long. Only a summarised version has been made available so far. The entire document will be published later this year. It will form one of the bases for the 2020 UN Biodiversity Conference in China, where cornerstones will be laid for future species' conservation.

LINK

IPBES, 2019: Global assessment report on biodiversity and ecosystem services – Summary for policymakers.

https://www.ipbes.net/system/tdf/spm_global_unedited_advance.pdf?file=1&type=node&id=35245



Dead coral reef near the Maldives in the Indian Ocean.

INVESTING

Remembering the “forgotten continent”

Africa has a youthful work force, plentiful natural resources and huge growth potential. Nonetheless, European private investors are staying away for several reasons.

By Aviva Freudmann

Africa, once called the “forgotten continent”, is sharply in Europe’s sights again. European political and business leaders alike are calling on private investors to bet on Africa’s future, citing its robust growth rate, young population and abundant natural resources.

“Africa is the continent of the future,” declares Jakob von Weizsäcker, chief economist at Germany’s Federal Ministry of Finance. “It has enormous human and economic potential and faces big challenges. It is in dire need of investment both public and private.”

He spoke in Frankfurt at the “Africa Europe Week” conference in late May, sponsored by the Maleki Group, the World Bank and the Frankfurt Chamber of Commerce and Industry. Speakers emphasised the complementary interests of European investors and African enterprises, the need to counter China’s growing influence in Africa and the urgency of giving potential African migrants incentives to stay home.

The news on the ground is not very encouraging however. For now, the vision of Europe’s money funding Africa’s growth needs has not come true. Private-sector investors in particular are hesitating.

According to the UN Conference on Trade and Development (UNCTAD), foreign direct investment (FDI) into Africa fell to \$42 billion in 2017, 21% below the previous year. Of the ten top investor economies in Africa between 2011 and 2016, only four are European: the UK, France, Italy and Switzerland; the rest are in North America, Asia and Africa itself. In Weizsäcker’s eyes, the key question is: “Why is it so difficult to bring the enormous potential of Africa and the savings of Europeans together?”

The reasons are many and varied. Weizsäcker himself puts part of the blame on European governments for failing to coordinate their efforts. He cites Tunisia as an example: “Instead of teaming up and talking with one voice to the government, we still have three national ministers from Europe going to Tunisia every week, promoting pet national projects.” But he pins most of the blame on African leaders and the business environment there. There are paral-



Food processing has great potential in Africa: inside a Kenyan juice-production facility.

els to Africa’s problems in Germany’s own history, Weizsäcker points out. “If you take the scenic train ride between Frankfurt and Cologne, you will see the ruins of beautiful castles. They are monuments to corruption and extortion.” After all, the castle owners were “robber barons” who collected fees from people transporting goods on the Rhine.

Ike Chioke of Afrinvest, an investment banking firm, sees things in a similar light. “A term I use to describe the business environment in Nigeria is VUCA – volatile, uncertain, complex and ambiguous.” Nigeria’s Consul-General in Germany, Suleiman Dauda Umar, acknowledges the problem, but says that Ni-

geria aims “to guarantee the safety of people who come to add value to our environment”.

A need to fight corruption and make laws and regulations fair and transparent is a top priority. “We need to see policy reform and improvements in the tax environment for the digital economy,” says Eme Essien of the International Finance Corporation (IFC), which is part of the World Bank Group and supports private-sector development.

Another complaint of private investors is that public institutions often offer African borrowers better terms than private institutions can. Paul Wade of the Norwegian Agency for Development Cooperation notes that direct investments financed by multilateral banks can crowd out private commercial financing.

The response of Olga Sclovsciaia, who works for the World Bank, is that multilateral institutions want to bring in just enough

public financing to catalyse private investment. According to Sclovsciaia, the “holy grail” is to determine “how much public finance is needed”.

It is difficult to raise financing within Africa itself. Even if foreign private investment were to increase, Africans would still need to raise local long-term money, argues Jaloul Ayed, chairman of the Vega Group, a Tunisian company. “We have a \$60 billion to \$100 billion infrastructure gap, Ayed said. He sees no way that the private sector can address all these needs. “We have to encourage African countries to develop bond markets in local currencies,” he concludes.

Scars on young bodies

Young children in Syria have never experienced peace. The on-going civil war poses many dangers to kids – bombs, shootings, stepping on mines and other explosives. Making matters worse, the medical system has largely collapsed. Injured people often do not get adequate treatment. The number of casualties and injuries amongst children is enormous.

Seven-year-old Ahmad Alkhateb was playing with his friends in the street near his house in al-Raqqa in northeast Syria, when a mortar shell suddenly exploded near them. Shrapnel hit Ahmad in the face and left a big scar on his cheek. Even worse, his right leg had to be amputated, although the doctors in the local hospital did everything they could. He only got a prosthesis once the road to Damascus was safe to travel again.

Doneaa, the resident doctor of the Children's Hospital in Damascus, says that she has many injured children coming from the eastern areas like Deir

al-Zour or al-Raqqa that lack medical services. In Damascus, Ahmad finally received treatment and was given an artificial limb. He is still learning to walk.

Psychological trauma has wiped out Ahmad's memory. The doctor says that the little boy is in a "denial phase". Ahmad's mother worries because the behaviour of her child changed: "He keeps himself isolated and he hardly talks more than a word or two."

According to the UN Children's Fund (UNICEF), about 3.3 million Syrian children face war hazards, like improvised explosive devices (IEDs) and explosive remnants of war (ERW). Most injured children don't receive the medical attention they need. UNICEF claims that 1.5 million people in Syria live with long-term disabilities related to war injuries.

Mine explosions are now the leading cause of child casualties across the country, with unexploded ordnance accounting for 434 deaths and injuries last year.

Henrietta Fore, UNICEF executive director, points out that in 2018 alone, 1,106 Syrian children were killed in the fighting. This was the "highest ever number of children killed in a single year" since the start of the war. Fore assumes that the true figures are likely to be much higher.

Millions of children have spent their entire lives in war zones. Many suffer deep psychological trauma. There is only limited access to basic social services. There is no specialised institution for psychological support for those children.

Eleven-year-old Rima has a long scar on her leg. "When she was 3 years old, our house was bombed at night", her mother reports. "Rima suffered third-degree burns. It took her eight months to recover." Because of her scar, Rima always wears long pants. But whenever she sees a girl with a short dress, she tells her mother: "I wish I could wear a short dress like that."



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PERPETRATORS OF VIOLENCE

When border-security forces become a cause of flight

On 3 June, Sudan's security forces started clamping down on pro-democracy protests and killed many dozens of people. The paramilitary Rapid Support Forces (RSF) were reported to have acted with particular brutality. For several reasons, western countries' response was unimpressive.

By Hans Dembowski

The RSF are historically rooted in the Janjaweed militias that perpetrated horrific crimes in Sudan's Darfur region one and a half decades ago. Because of their government-backed atrocities, the International Criminal Court issued an arrest warrant for then-President Omar al-Bashir in 2007. Subsequently, western governments did their best to isolate his regime. Nonetheless, he stayed in power until his military removed him in April this year in view of the democratic uprising.

The sad truth is that the EU and the USA currently lack the credibility they need to forcefully promote democracy and human rights. US President Donald Trump shows no interest in doing so anyway. At this point, his authoritarian leanings need no detailed elaboration.

Britain's government is incapacitated by the Brexit drama. The EU, however, has serious problems beyond this important member planning to leave. As right-wing populists became stronger in recent years, many EU policymakers began to focus on limiting immigration. They want African governments to do more to control people's movement across borders. The "Khartoum Process" serves that purpose. No, not all African governments involved have democratic legitimacy, and yes, even formerly ostracised al-Bashir has played a central role in it. That is the reason the process carries the name of Sudan's capital.

"By stifling migration, Sudan's feared secret police aid Europe", was a headline in the New York Times in April 2018. According

to the article, Sudanese police officers were even deployed in Europe, for example Italy. Moreover, it is understood that the RSF are involved in African border control.

The European public may not be fully aware of these developments, but African policymakers have seen their EU counterparts, who normally demand good governance and human rights, prioritise border security. African civil-society activists are infuriated (see interview with Ibrahim Manzo Diallo in Focus section of D+C/E+Z

on the ground. It has served to embolden security actors and caused them to adopt new objectives that have little to do with the protection of those migrating through their territory." Western governments' current wavering must irritate pro-democracy protestors, whether in Sudan, Algeria, Hong Kong or Russia. It is true, of course, that a country's governance ultimately depends on the interaction of its domestic political forces. But while democracy cannot be imposed from outside, the international environment does have a bearing on domestic forces' interaction.

European leaders like to say that they are fighting "causes of flight" and that border controls serve that purpose. The Sudanese experience shows that this can be quite short-sighted. The RSF are themselves a cause of flight. Sudan may now be heading for renewed dictatorship or civil war. In either case, more people will want to flee.



Sudan's Rapid Support Forces marching in Khartoum in May 2017.

e-Paper 2019/04). The reputation of Sudan's regime has benefited from the Khartoum Process, and so have, at least indirectly, its finances. The EU insists that its funding has only served humanitarian purposes, but that gives the government breathing space, and inner-Sudanese transactions are plainly not transparent.

Martin Plaut, the prominent Africa expert, has stated: "Whether the EU has, or has not, funded the RSF does not mean that EU support has not had a direct impact

After World War II, great European leaders started the integration process that brought us the European Union. Their vision was a supranational alliance that would do more than safeguard human rights, democracy and peace in Europe. They wanted it to assume a leading role in global affairs. If current EU leaders want to play such a role, they should back off from opportunistic collaboration with dubious leaders (see comment next page). That applies to the EU as a whole – and all member countries, including Germany.

EUROPEAN MIGRATION POLICY

Risks and side-effects

Migration and asylum were among the most prominent issues in the European elections. Whoever heads the European Commission in the future and whatever alliances are forged in the European Parliament, the search for joint solutions in this policy area will be right at the top of the EU's to-do list.

By Nassir Djafari

The disagreement within the EU over asylum and migration policy is deeper and wider than in any other policy area. Real or feared immigration shapes the political agenda in member states. The only consensus that currently exists in the EU is the desire to limit the flows of refugees. The EU is trying to staunch those flows as close to their source as possible. And it is prepared to cooperate with questionable partners in the process. That strategy may work in the short term but the medium and long-term impacts could deepen the root causes of migration.

The EU's deal with Turkey in 2016 marked a major turning point in refugee-flow control. Since the accord has been in

place, the numbers of migrants arriving in Greece through Turkey have dropped. The EU-Turkey agreement is part of a strategy to halt migratory movements in countries of origin or transit. The EU has already established "migration partnerships" with a number of countries in Africa. Its aim in doing so is to reduce the causes of migration, ensure that refugees can stay near their country of origin and facilitate the return of illegal immigrants and rejected asylum seekers.

The EU uses a range of instruments for this purpose. They include, for example:

- financial assistance to help strengthen border security and combat human trafficking,
- trade benefits and development cooperation and
- readmission treaties.

Funding for these measures is available from the EU Trust Fund for Africa launched in 2015. The main beneficiaries are the Sahel and Lake Chad region, the Horn of Africa and North Africa. The EU also cooperates with countries such as Egypt, Libya and Sudan, where massive human-rights violations are a daily occurrence. While refugees

in Egypt cannot count on receiving humane and lawful treatment, migrants intercepted in Libya are potentially exposed to abuse and forced labour. Under internal political pressure and in light of the growing strength of nationalist parties in nearly all member states as well as in the European Parliament, the EU has ceased to apply good governance as a criterion for cooperating with African partners; it looks only for effectiveness in containing migration. The EU thus also supports regimes that do not attach much importance to national development and are more likely to aggravate the causes of migration rather than reduce them.

By equipping border guards – and thus parts of the police and armed services – of "failed states" like Libya, Sudan or Somalia, the EU not only makes itself a party to internal armed conflicts; it also risks weapons falling into the hands of terrorists. The renewed outbreak of fighting between rival forces in Libya in March 2019 showed how shaky such partnerships are. Cooperation with failed states is not just a matter of human rights; it can also present an indirect risk to European security.

Creating a cross-sectoral fund to promote Africa's economic and social development was a good move and one that is long overdue. But the fund can only achieve sustainable impacts if it works exclusively with development-oriented partner governments. In countries where that requirement is not met, it should support only civil-society projects, not government ones.

However, the €4.5 billion Trust Fund can only be a first step. Significantly more money is needed to help bring about a long-term improvement in living conditions in Europe's neighbouring continent. And no one should expect the support programmes to stem the tide of migrants heading for Europe in the near or medium term. Research findings show that, initially, migration attempts actually increase with economic growth. In the long term, however, as employment and income opportunities are created for broad sections of the population, people seek a future in their own home country.



African refugees in one of the controversial reception centres in Libya for would-be migrants to Europe.



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RIGHT-WING POPULISM

Modi won – but did India?

Our India correspondent assesses the recent elections results.

By Aditi Roy Ghatak

Soon after winning the general elections in India, Narendra Modi promised that he would be prime minister of all Indians; not only of those who voted for him. Minorities, he said, need not fear. The international media praised this new rhetoric as a welcome sign of moderation.

India's minorities, including almost 200 million Muslims along with Dalits, Adivasis, Christians and others, however, hope that their worst fears will not come true. They have been familiar with the Hindu extremist speak for decades, and statements of some elected leaders induce fear. The unstated message is that minorities have nothing to fear as long as they accept Hindu dominance, but this rule does not apply consistently, as recent hate crimes and their handling confirm. Indians remember the Gujarat riots in 2002, when Modi, then the chief minister of the western Indian state, failed to stop the massacre of Muslims.

According to the constitution, India is a secular nation and accepts all religions – a position increasingly being questioned. Worse, those who disagree are labelled “enemy of the people”. Amongst others, five human-rights activists and academics arrested in August last year still rot in jail for having stood up for rights of the oppressed. Independent journalists, civic leaders and intellectuals are harassed, attacked and even killed. Journalist Gauri Lankesh was probably the most prominent victim.

Video-taped murders of Muslims go viral, and vigilante groups carry out attacks over beef eating and inter-caste marriages. Alleged terrorists are even rewarded with political positions. Pragya Singh Thakur, accused of conspiracy in the 2006 Malegaon blast case, is a member of parliament. Yogi Adityanath, chief minister of Uttar Pradesh, India's most populous state, has seen no reason to apologise for his alleged hate speeches.

On the one hand the killer of Mahatma Gandhi is resurrected as a hero, and on the other fantasies based loosely on ancient mythology now trump scientific insights as bigotry, xenophobia and misogyny run wild.

The Narendra Modi victory is in keeping with the international trend of victorious right-wing populists. They thrive on divisive action while insisting on organised unity. His policies sound good in theory but have failed the grassroots test thus far. The crying shame of the first five years of the Modi government is the collapse of the economy. Growth rates are down; inflation

Meanwhile, the controversial Rafale jet deal suggests that crony capitalism is in full bloom in the country. Will other things change under Modi 2.0? Hopefully, because surely India's masses of unemployed, who were betrayed but still voted him to power, will not be patient over the next five years. The people can only hope that governance from 2019 will include:

- putting a check on provocative and fake news on social media,
- stopping the emasculation of institutions of democratic governance,
- giving minorities a sense of security, and
- prioritising issues of economy, ecology and growth; not giving precedence to obscurantism.

Modi, with his unmatched eloquence, manipulated the political discourse away from economic misery and focused atten-



T-shirt seen at BJP victory celebrations in New Delhi.

tion is inching up, and the promised jobs miracle never happened. Unemployment and underemployment are worse, and little was done to trigger rural development.

Worse, Modi's ill executed tax reform was overly bureaucratic, crippling small and mid-sized enterprises. His “demonetisation” (banning certain denominations of currency), meant to break the back of terrorism and corruption by eliminating black money from the system, ended in a fiasco: new banknotes promptly replaced the old ones, while masses of informal and small scale businesses and farmers took a beating.

on supposed enemies. He managed to hold large sections of the country in thrall as jingoism carried the day. A weak and fractured opposition running its campaign on inclusivity and justice for all got swept away, except in some southern states and the northern state of Punjab. The ruling NDA secured 45% of the votes polled. Modi won; but did India?



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SOUTH AFRICA

ANC gets away with minor dents

South Africa held national as well as provincial elections on 8 May. President Cyril Ramaphosa and his African National Congress (ANC) got away with minor dents. The electorate could have taught them a harder lesson. Ramaphosa must now prove that he truly deserves the voters' trust.

By Henning Melber

The ruling party won 57.5% of the national vote. That was its worst result in history so far. In 2014, its share was 62.2%. However, the elections did not shift the balance of power. The Western Cape Province continues to be run by the Democratic Alliance (DA), the major opposition party, while the ANC remains in power elsewhere.

Indeed, the election results are a cause of concern for the DA too. Its 20.8% was not only less than aspired, but less than the 22.4% it achieved in 2014. By contrast, the Economic Freedom Fighters (EFF) managed to increase their share of the vote from 6.4% to 10.8%, taking a radically populist approach and adopting pseudo-revolutionary rhetoric. Most likely, however, the EFF had hoped for even more.

Several smaller parties managed to strengthen their hand. The Inkatha Free-

dom Party (IFP), which has a regional/ethnic base in KwaZulu-Natal, became the 4th strongest party with 3.4%. The right wing, exclusively white Freedom Front Plus (FF+) gained almost 2.4% nationally. As South Africa has a proportional system that assigns the parties' seats in parliament according to their share of the vote, 43,000 votes were sufficient for representation in the national legislature. Nine smaller parties will thus join the five major parties in parliament.

All summed up, however, voter migration from big to small parties was underwhelming. The election results show that people are actually keen on stability. Ramaphosa, who succeeded Jacob Zuma in office, benefited from that desire. There plainly was no convincing alternative to him. It did not matter in the campaign that, after the introduction of majority rule in 1995, this former trade-union leader managed as business man to amass a fortune worth an estimated \$400 million. His dubious role in the Marikana massacre of striking miners in 2012 was hardly discussed either. It is true that the initially euphoric response to his rise to the ANC leadership has subsided. Nonetheless, many people still pin their hopes on him, thinking that he will be able to lead them out of economic

misery and overcome its devastating social impacts.

Voters now want Ramaphosa to tackle the corruption and cronyism that permeate large sections of the ANC and the state. Until Ramaphosa replaced Zuma, trust was ebbing away from the ANC. The new president has slowed down that trend. It is well understood that the problems go well beyond Zuma personally however. Zuma's friends and allies are still in positions of power, both in the ANC as well as in government offices. The new leader has been shying away from directly challenging them. The risk of the party disintegrating and political tensions triggering violence seems too big.

The minor changes in parties' vote shares probably matter less than recurring protests by mostly young people. Voter turnout was officially reported to have been 66% (2014: 73,5%). That figure is worse than it looks. In order to vote, citizens must register with the election commission. This time about 1 million fewer voters actually cast their ballots than did four years earlier, while only about 75% of those eligible to vote were registered at all. If one considers that an estimated 10 million people did not care to get registered, voter turnout was actually below 50%.

Abstention was particularly pronounced in the age group under 30. In the eyes of many members of the „born free“ generation, that was a deliberate act of protest. They had campaigned for staying away on social media. Their attitude suggests that the ANC is losing its appeal as the former liberation movement. In the long run, voters will not base their electoral choice on the legacy of the anti-apartheid struggle, and young people no longer feel loyalty to the ANC. In an era marked by market-orthodoxies, they want social justice. They want the structural apartheid, which results from the alliance of the old and new elites, to finally end. Ramaphosa and the ANC will be judged by to what extent they manage to make that transition happen in the next four years.



Supporters of President Cyril Ramaphosa and his ANC, governing party of South Africa.



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A polling station in Dakar, Senegal's capital.

ELECTIONS

Democracy in West Africa

Recent elections in Senegal, Benin and Nigeria have revealed serious problems. The trend is worrisome.

By Karim Okanla

West Africa's democratic tradition has an uneven history – and, judging by recent elections, similarly uneven prospects. The three West African nations that held national elections in recent months – Senegal, Benin and Nigeria – began their paths to democracy at different times: nearly 60 years ago in Senegal, 30 years ago in Benin and 20 years ago in Nigeria.

Perhaps unsurprisingly, the country with the longest democratic tradition, Senegal, has made the most progress, and the country with the shortest democratic experience, Nigeria, appears to face the biggest challenges. In all three countries, however, considerable work remains to be done for democracy to fully take hold.

SENEGAL

To begin with, the good news: Senegal, which has developed its democratic tradition since shortly after its independence

from France in 1960, is widely regarded as Africa's poster child for democratic rule. It has a history of peaceful elections and transparent government. Democracy in Senegal also has strong support from the voters: according to the BBC, 66% of eligible voters cast their ballots in the 24 February election. They returned incumbent President Macky Sall to office, with 58% of the vote in the first round.

Yet there are flaws in this democracy, as the recent election shows. Two leading opponents of President Sall, Khalifa Sall (no relation to the president) and Karim Wade, the son of a former president, were barred from running after having been charged with corruption. The result of their exclusion was that two major political parties, the Socialist Party and the Senegalese Democratic Party, did not field candidates in this election. The two excluded candidates say the charges were politically motivated.

After the election, former Prime Minister Idrissa Seck and other leading opposition politicians accused the president of manipulating the results.

A former regional representative of Amnesty International, Alioune Tine,

summed up the situation in an interview with a local newspaper: "Our major failure is when presidential contenders of the opposition parties refuse to concede defeat because of alleged vote rigging." He bemoaned that opponents refused to recognise the president as the clear winner of the contest. "We are in a stalemate here," he said, "we must end this." The controversy has not died down however.

In May, the Senegalese parliament upheld a presidential decree abolishing the post of prime minister. Opposition parties called the move unconstitutional and accused the president of amassing too much power in his own hands.

Political analysts warn that the controversy could escalate from an inter-party rivalry to a tribal dispute. They note that the president won by a landslide in his stronghold in northern and central Senegal, home to the Pulaar and the Serere people, but had a weaker showing elsewhere, where other ethnic communities predominate. For Senegal, they say, it would be a distinct step backwards if tribal resentment became politically relevant. Meanwhile, President Macky Sall has called for national dialogue, but some opposition leaders remain unconvinced.

BENIN

Benin is officially a representative democratic republic and was in the forefront of Africa's democratic revival in the early

1990s. Its politics are pluralistic to a fault: according to estimates, Benin had some 200 political parties in 2018.

But pluralism suffered a reversal in the parliamentary elections that took place on 28 April. Major opposition parties were barred for failing to follow new and cumbersome electoral laws. Under the new laws that had been passed in July 2018, parties must meet an electoral threshold of 10% of the national vote to enter parliament. Moreover, they must pay a deposit of 249 million CFA francs (€380,000) to be listed on the ballot, up from 8.3 million CFA francs. As a result, all the newly elected 83 members of parliament are now aligned with Patrice Talon, the incumbent head of state.

In protest to the restrictive rules, voters shunned the election in large numbers. The National Electoral Commission said that only 23% of the 5 million eligible voters went to the polls, but the Constitutional Court put the figure at a little more than 27%. Whatever the official turnout, it is considered extremely low. In fact, it is the lowest ever recorded since December 1990, when Benin adopted its new Constitution in a referendum.

The election itself was marred by problems. Benin was totally disconnected from the internet on election day. This meant that communication via social networks, among other channels, was not possible. Riots broke out after former President Thomas Boni Yayi called for an election boycott. People suspected of violent action were detained without a warrant. Angry mobs set property ablaze, and security forces responded with deadly force. Several young men and women were killed during anti-government demonstrations. Moreover, press freedom is increasingly being restricted, and at least one journalist was detained for several days for an article that he wrote about Benin's ballooning foreign debt. According to Reporters without Borders, an international non-governmental organisation based in France, Benin's ranking for press freedom has dropped from 84th to 96th in just a matter of months. As for former president Boni Yayi, security forces have sealed off his residence in Cotonou. Some say he has been virtually placed under house arrest.

President Patrice Talon and the main opposition parties are now locked in a constitutional showdown over the exclusion of

the opposition parties from the April election. The two major opposition parties, the Union Sociale Libérale (USL) and the Forces Cauris pour un Bénin Emergent (FCBE) say the 83 new members of parliament are "illegitimate and illegal representatives of the people of Benin".



Addressing the nation on 20 May, Talon said that he deeply regretted the scenes of violence that led to several deaths and injuries. He asked the newly installed parliament to amend the controversial electoral law so that opposition parties could contest next year's local and municipal elections. The president has also called for national dialogue to sort out the country's problems, but key party leaders like Eric Houndete and Candide Azannai have flatly turned down the offer.

This situation leaves open the question of how effectively a parliament that is beholden to the president can check and balance presidential powers. It is common practice in Benin for a sitting president to try to amend the 1990 constitution to amass more power. Previous attempts failed due to opposition in parliament. Now, however, there is no strong opposition party in parliament, and the president has sweeping power. He has virtual veto power over policymaking, can deny an institution funding and can appoint the heads of state institutions. This does not bode well for true democratic rule.

NIGERIA

Nigeria has officially been a democracy for 20 years. The country became independent from Britain in 1960, but what followed were

decades of brutal military coups, counter-coups and even civil war.

Nigeria has held six presidential elections since 1999. In the most recent election, incumbent President Muhammadu Buhari of the All Progressives Congress (APC) was re-elected for another four years.

But this election was far from a perfect example of democracy at work. To begin with, the Independent National Electoral Commission (INEC) postponed the voting, which was originally set for 16 February, by one week on short notice, arguing it faced logistical problems. One implication of that step was that many people were denied their chance to vote. To take part, they had travelled home to their constituencies for the weekend, but could not afford to make the same trip twice. Offices of the INEC were hit by arson attacks.

The election was marked by a depressingly low turnout: according to the BBC, only a third of the 73 million eligible voters appeared at the polls. That was the lowest rate in 20 years. Apparently, masses of people no longer believed that voting would make a difference. The election was also marred by violence. Afterwards, opposition parties filed legal challenges, but to no avail.

In the Economist Intelligence Unit's Democracy Index for 2018, Nigeria ranks 108th out of 167 countries, compared to 81 for Benin and 73 for Senegal. Nigeria faces many challenges simultaneously, along with the task of strengthening its democracy. Islamist extremism is a problem, and security is fragile. Poverty and massive migration are facts of daily life.

Corruption in politics remains a barrier to solving these problems. Politicians have turned public offices into cash cows to enrich themselves. Public spending has soared; in 2018, for example, the Senate spent close to 40 billion Naira (approximately € 100 million). The budget of this legislative body is larger than those of some of Nigeria's 36 states. This fact shows that power is concentrated at the federal level. Democracy would benefit from stronger and better funded states.



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SDG finance



Humanity's future hinges on achieving the Sustainable Development Goals. The agenda must be funded properly. Official development assistance is needed, but will not suffice. Other relevant sources

include the tax revenues of developing countries and emerging markets, private-sector investments, south-south cooperation and international climate finance. Ultimately, all economic activity will have to be geared to sustainability.

Unprecedented – but underfunded

It was a paradigm shift when the UN General Assembly adopted the Sustainable Development Goals (SDGs) in September 2015. The SDGs go far beyond inspirational slogans and moral imperatives, setting clear targets for the years up to 2030. Unless the agenda is properly financed in low-income countries, however, the SDGs cannot be achieved.

By Belay Begashaw

The SDGs are the international communities' response to urgent challenges. Among other things, they are designed to:

- ensure economies growth and poverty alleviation,
- bring about mitigation of, and adaptation to, climate change,
- reduce inequality, including gender disparities,
- safeguard peace and
- foster international cooperation.

The principle is to leave no one behind. The agenda is truly global. The 17 goals and 169 targets are expected to be delivered by all countries, despite their different levels of socio-economic development. The starting points are indeed very different. More than half of Africa's 54 nations are low-income countries. These countries have very low baselines. Fragile statehood adds to the problems in many places. The aspiration, nonetheless, is to achieve the SDGs everywhere.

The challenges are huge. They range from fundamental livelihood issues such as poverty, basic health and education services, to unemployment and inequalities to stemming global trends such as global warming and the loss of biodiversity. The plain truth is that most low-income countries are not in a position to rise to all relevant duties on their own. Typically, they struggle to tackle merely the most basic domestic challenges.

This is the backdrop of the Addis Ababa Action Agenda (AAAA), which was adopted by the UN conference on financing for development in Ethiopia's capital city in July 2015. It resulted from a long diplomatic process that also led to the adoption of the SDGs later

that year. The AAAA outlined the relevant sources of potential SDG finance. The most important strategic options are probably:

- to generate higher tax revenues in developing countries,
- to increase official development assistance (ODA) and
- to unleash private investments (both foreign and domestic).

The SDGs were preceded by the Millennium Development Goals (MDGs). Two essential lessons of the MDGs are that coordinated global efforts can indeed bring about progress, but that financing must not fall short of the need. Both happened in Africa. The achievements made were useful, but due to lack of funding, not all aspirations came true.

HIGHER AMBITIONS THAN BEFORE

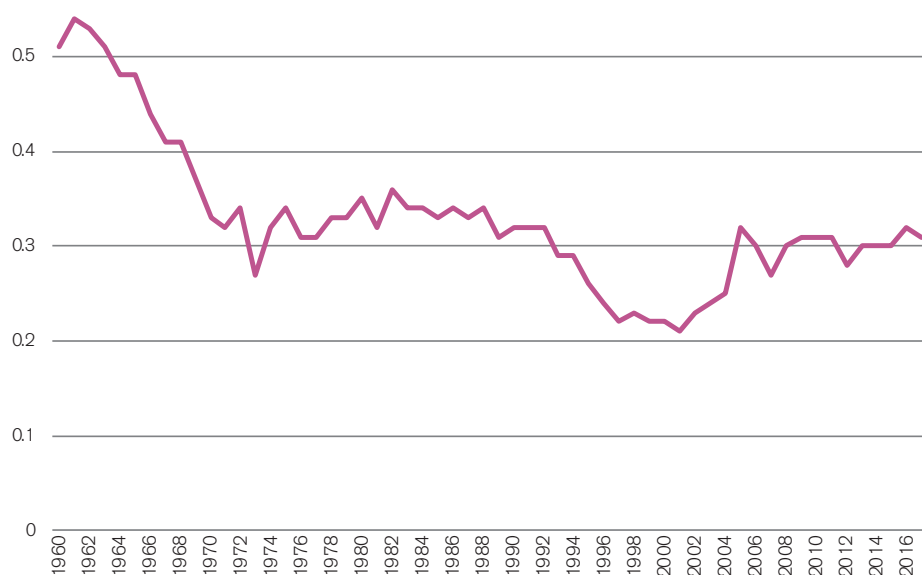
The current SDG agenda is more ambitious, than the MDG agenda was. Even more than before, implementation and acceleration depend on substantial financial flows from various stakeholders. The SDG Center for Africa (SDGC/A) has made the following estimates: low-income countries south of the Sahara

need an additional annual \$21 billion for education, an additional annual \$20 billion for health care and an additional \$12 billion for environmentally sound water supply.

It bears repetition that developed economies must increase ODA. Since the 1970s, they have not lived up to their promise of spending 0.7% of gross national income on ODA. According to the Organisation for Economic Co-operation and Development (OECD), a club of high-income and almost-high-income countries, ODA only amounted to \$147 billion or 0.31% of 29 donor governments combined GNI in 2017. The shortfall was \$185 billion.

Compounding the problems, ODA flows to Africa have not only been volatile in recent years. In view of fast population growth, they are actually dwindling per capita. The resources provided to low-income countries in the past 20 years were never commensurate with the depth and the urgency of the challenges. That must change, but more money will still be needed.

The outlook for improving developing countries' tax revenues – which is called “domestic resource mobilisation” in the technical jargon – is not encouraging (see essay by Dereje Alemayehu on p. 20 in this e-Paper). In more than a dozen African countries, according to SDGC/A assessments, the ratio of tax to gross domestic product is still below 15%, which is generally considered to be the minimum level needed for



This graphs shows the ratio of the OECD donors' total official development assistance to their combined gross international income.

functional statehood. While the tax to GDP ratio actually rose to an average of 17.5% in Africa in 2012, it decreased again to only about 16% in 2017. Too many countries are below the average, and the unsatisfying truth is that tax revenues did not keep up with economic growth.

To deliver on the SDG agenda, the average additional spending needed in low-income countries represents 15% of their GDP, according to an International Monetary Fund (IMF) staff paper of September 2018. Substantial investments are needed in education, health, water supply and sanitation, roads and electricity. Given that many of the countries concerned do not even generate 15% as government revenues, the gaps are obviously huge.

At the same time, unemployment and underemployment remain serious problems. Commodity prices have been declining, moreover, which is bad news for the low-income economies that export these goods. In this setting, it is naïve to expect them to see dramatically increasing tax revenues. Instead, public debt is growing once again, and experts from the IMF and the World Bank have been warning of debt-stress risks for quite some time (see Jürgen Zattler in Focus section of D+C/E+Z e-Paper 2018/09).

In this context, the current multilateral policy framework in regard to macro-economic stability is far too rigged. The focus is only on debt levels, regardless of what loans are used for. Internationally, interest rates are quite low and mitigating climate

change must be considered more important than fending off inflation in the long run. Inflation is painful, but policymakers can get a grip on it, when and if it arises. Global warming is irreversible. The current financial-stability framework means that low-income countries' cumulative debt is considered unsustainable once it exceeds a certain level. At that point, they are at risk of being cut off not only from loans, but even from grants. International financial institutions and the OECD countries should grant them more policy space.

Low-income countries' own development banks are especially important in this context. To date, there are about 65 national and regional development banks in Africa. Some are owned by public and private shareholders, moreover. Generally speaking, they remain small and undercapitalised. They should be strengthened technically and financially in a way that empowers them to contribute to achieving the SDGs. Sustainability and inclusion must be high on their agenda.

Private capital must play its role as well. Making that happen is easier said than done. By definition, private investment is not steered by policymakers. The important thing is to set the right incentives. Rewarding financial investors in SDG-relevant projects with negative interest rates could mobilise private money, but public money is needed to pay for that kind of subsidy. Impact investments, which are geared to social and environmental results on top of merely financial ones, are needed. Relevant

commitments have been growing, but more needs to happen.

It is worth noting that, almost four years after the SDGs were adopted, too little has been accomplished in terms of SDG finance. Next year, one third of the entire programme time will have passed. At the current pace, the vision will not become reality. Further slippage would be a guarantee of failure. Failure, however, is not an option humanity can afford.

LINKS

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The end of certainties

Due to the ever-changing policy environment, the rules that apply to official development assistance (ODA) have always required periodic reassessments. It is a constant challenge to reconcile conflicting demands and goals. Greater aid effectiveness, for example, is one such goal, but pressure has grown to align ODA with security policies. Reaching consensus on issues of global sustainable development and ODA is not easy.

By Stephan Klingebiel

In 2017, a high-level panel of the Development Assistance Committee (DAC) of the OECD (Organisation for Economic Co-operation and Development), claimed that four international agreements had established a “new consensus development agenda“:

1. the 2030 Agenda with its 17 Sustainable Development Goals (SDGs),

2. the Addis Ababa Action Agenda (AAAA) on financing for development,

3. the Sendai Framework on Disaster Risk Reduction and

4. the Paris Climate Agreement.

The committee had a point. Yes, it does make sense to focus on these agreements and consider them the basis for developmental action. However, one must also take into account recent trends that are not necessarily conducive to such a consensus. Even among OECD donor countries, priorities and goals differ widely.

Last October, Federica Mogherini, the EU's foreign affairs chief, and Bill Gates, the American billionaire, whose foundation is

a major player in aid affairs, both addressed the European Parliament on the future of European ODA. It became clear that their visions are worlds apart. While Mogherini stressed that ODA resources had helped to ease the pressure of recent migration, Gates pointed out the massive potential of technological innovation for addressing global health issues.

A new analysis (Gonsior/Klingebiel 2019) confirms that visions differ widely among policymakers in regard to global development. Affected are:

- policy narratives (What goals should be pursued?),
- strategic discourse (How can those goals be achieved? Which groups of countries should be prioritised?) and

- operational approaches (How do projects and programmes need to be designed to be effective?).

Discussions of these matter tend to run side by side in a largely unconnected and often contradictory manner. At the operational level, for instance, it is important to sharpen further locally based programmes and improve project design with an eye to involving local target groups and clearly defining the roles of participating institutions. Such concerns, however, hardly matter in donors' evolving broader narratives, which were largely dominated by migration concerns in recent years.

It is therefore quite a challenge to properly assess the current state of international

development cooperation (DC). Changes inside and outside the international policy arena relate to fundamental challenges. They go significantly further than they did in the past. Five trends are noteworthy:

1. DC OBJECTIVES / NEW EMPHASIS ON NATIONAL INTERESTS

For years, it was regarded an indication of lacking development orientation when a donor government geared DC to its immediate interests. Accordingly, untying aid (not requiring goods and services to be purchased from the donor country) and promoting good governance were benchmarks for good development policy.



Spending on refugees in OECD countries counts as ODA: Moria refugee camp on the Greek island of Lesbos.

The most dramatic change in recent years was that migration targets became important in DC. Instruments such as the EU Emergency Trust Fund for Africa (EUTF) have made a difference. Increasingly, ODA of European donors and the USA is being used in support of countries that are considered relevant for stemming migration.

At the same time, other donor interests are increasingly re-emerging in policy discourse. This applies rather generally. For example, terms and conditions of DC are used as levers in international economic competition. Emerging market governments notably do this in south-south cooperation, and Britain is attempting to use DC to limit the negative impacts of Brexit. It also matters that addressing global public goods such as health care or climate protection does not fit easily into categories of national interests.

2. DICHOTOMY OF APPROACHES

The past 15 years were marked by an increase in south-south cooperation. However, there is still no common understanding of what precisely south-south cooperation is and how it should be monitored. The UN Conference on South-South Cooperation (BAPA+40) in Buenos Aires in March (see article by Luiz Ramalho et al. on p. 26 of this D+C/E+Z e-Paper) failed to find new ways forward. There is no common platform on which OECD donors and the financiers of south-south cooperation could agree on fundamentals, norms and standards. Existing forums are either not accepted by all players or do not lend themselves to negotiations. ODA and south-south cooperation are running on parallel tracks, with no relevant exchange taking place.

3. SHRINKING NUMBER OF DEVELOPING COUNTRIES

Owing to economic progress in recent years, the number of countries that the OECD classifies as “developing” is declining. Since 1970, only eleven countries were added to the list (predominantly former republics of the Soviet Union), but 60 countries were taken off. The latest countries to graduate into the high-income category were Chile, the Seychelles and Uruguay in early 2018. Major ODA recipient countries such as

China and Turkey will follow suit in the not so distant future. It needs to be considered carefully what impacts this trend will have on development cooperation as a policy area and what form cooperation should take with countries that are no longer ODA eligible (see article by Michael Krempin on p. 30 of this D+C/E+Z e-Paper).

4. DECLINE IN RELATIVE IMPORTANCE

ODA is only one part of development finance. Even in the least-developed countries, taxation matters very much. According to OECD data, 43% of their development finance depends on such domestic resources. In upper middle-income countries, the respective share is 78%. National revenue services are thus the main source of development funding worldwide (see article by Dereje Alemayehu on p. 20 of this D+C/E+Z e-Paper). It generally makes sense to rely on more diversified sources since doing so means that more money becomes available and ODA dependence is reduced. The challenge, however, is that financing conditions may well be worse and/or non-transparent than those that apply to ODA. All too often, moreover, policymakers do not prioritise SDGs.

ODA can serve to boost development and bridge funding gaps, especially in countries with limited domestic resources because of a poor tax base, low private investment or low remittances from migrants. Another challenge is that it is very difficult to harness all relevant financial flows for development purposes.

5. AFTER THE AID EFFECTIVENESS DEBATE

Multilateral principles for improving aid effectiveness were spelled out in the Paris Declaration in 2005 and the Busan Declaration in 2011. They still apply. Unfortunately, the momentum this effectiveness debate once had has largely given way to more hard-nosed approaches among donor governments. The political will to work on reforms has largely subsided. Britain, a prominent long standing protagonist of increasing effectiveness, is now distracted by other issues. Many donors seem to have largely abandoned former priorities, such as programme-based approaches. Instead, ad hoc contributions to multilateral donors and thematic allocation have given rise to new

approaches. In Germany, this applies to the special initiatives taken by the Federal Ministry for Economic Cooperation and Development (BMZ), for example. These changes rarely figure in current international debate, but they concern fundamental issues.

The fact that the number of developing countries is declining does not mean that cross-border cooperation is no longer needed. On the contrary, cooperation is more important than ever if sustainable development is to be achieved. Such cooperation must include ODA, but it must go far beyond conventional development efforts.

Whether a donor government should prioritise strengthening democracy or promoting renewable power generation in a partner country depends partly, but not entirely on a country’s income status. At present, donor governments are only making tentative attempts to promote sustainable development outside the “developing country” category. They should tap the huge potential for supporting multi-actor programmes, for example in regard to reducing carbon emissions at subnational levels. A fundamentally new understanding of cross-border cooperation is needed, and it will prove useful in many fields of policymaking, including ODA.

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Improving African tax revenues

Each country is responsible for its own development. However, in an interdependent world within a globalised economy, no single country can be the autonomous “master of its own destiny”. To improve public finance in Africa, national governments must assume responsibility – but they also need a facilitating international environment.

By Dereje Alemayehu

World-market integration is asymmetric, and the benefits are not shared equally. What policy space a government has depends on many things including the level of its country’s development, size of the economy, endowment with natural resources, geostrategic position, environmental conditions et cetera.

To achieve development goals, governments must tackle domestic as well as international challenges. In low income countries, even tax collection, which is normally a crucial area of national policymaking, is interlinked with international matters. “Domestic resource mobilisation” (DRM) is the technical term used in international debate when it comes to increasing tax revenues. The international consensus is that African countries must do more in this field in order to achieve the sustainable development goals (SDGs). However, their efforts in this field cannot succeed without committed and consistent international support.

In regard to DRM, international cooperation must achieve several things. A stable and fair international finance architecture is a global public good, which the international community must deliver and safeguard. Two relevant challenges are:

- to agree a multilateral mechanism to resolve sovereign debt problems and
- to curb illicit financial flows (IFFs) and tax dodging by multinational corporations.

The international community acknowledged as much in the Addis Ababa Action Agenda (AAAA), which was unanimously adopted by the UN conference on financing for development in the Ethiopian capital in 2015.

The AAAA assessed the challenges and elaborated the responsibilities of national

governments as well as their international partners. It showed that the responsibility of high-income countries goes far beyond official development assistance (ODA). Of course, ODA can help to develop capacities in developing countries’ revenue services, but that is not the most important duty of advanced nations.

A recent multilateral report indicates that too little progress has been made in regard to DRM. The Inter-Agency Task Force on Financing for Development (IAFTF), which was set up to monitor the implementation of the AAAA, published it in March. It deserves to be taken seriously. Over 50 major international institutions are taking part in the IAFTF, including various UN bodies, the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO).

From the African perspective, enhancing DRM involves national homework as well as multilateral duties. Both are essential for SDG attainment.

African governments are in charge of achieving three things:

- they must expand and deepen the tax base,

- they must stem wasteful public spending and resource leakages, and
- they must improve the integrity and effectiveness of their revenue services.

So far, African governments have basically improved their ratios of tax to GDP by increasing indirect taxes such as sales taxes or the value added tax (VAT). The share of VAT in the overall tax take is estimated to be around 60 % of the total tax revenue, and that is alarmingly high. The problem is that consumers ultimately pay the VAT, and poor people who must spend a large share of their incomes for consumption are burdened in particular (see my essay in Focus section of D+C/E+Z e-Paper 2018/01).

By contrast, it would make sense to introduce taxes on property and wealth. They hardly exist in Africa, but they would bolster public budgets and, at the same time, reduce social inequality.

Moreover, African governments must widen the tax base by bringing in additional sectors. The most important issue is to tax the informal sector. This is certainly a difficult and complicated undertaking, but for the sake of healthy public finances, it must not be postponed.

So far, masses of people in the informal sector and smallholder agriculture are part of the “fiscal contract” according to which they would pay direct taxes to their government and get meaningful physical and social infrastructures in return. For tax



Informal retail businesses are typical of African cities like Addis Ababa.



To make taxes acceptable, governments must provide better infrastructure and services.

reforms to succeed, governments must do more than squeeze money from the informal sector. In return, they must build roads, provide electric power, ensure health care et cetera. Good infrastructure is the basis on which an economy can thrive and social development occurs.

The UN Economic Commission for Africa (UNECA, 2019) recently stated: “Taxing hard-to-reach sectors, improving governance in revenue collection and bolstering accountability would greatly reduce inefficiencies and mobilise up to \$99 billion a year over the next five years.”

The Commission warned, moreover, that tax breaks for foreign investors reduce government revenues by an average of 20% in Africa, but they only increase investments by one percent. If DRM is to improve, such and other kinds of giveaways must to stop.

DUTIES OF HIGH-INCOME COUNTRIES

DRM is moving forward too slowly, according to the above-mentioned IATF report. Moreover, the report warns that a serious financial crisis is becoming ever more likely if current trends in the global economy continue unchecked. The greatest concern is the growth of sovereign debt and the rising costs of servicing it.

In this grim scenario, the policy space of African governments is actually shrinking. Growing debt-related expenditure

makes it harder for them to enhance DRM. The point is that the share of public budgets that they must commit to this purpose is growing at the expense of resources available for essential services and developmental initiatives. Unless people see that paying taxes ultimately brings benefits, they will not accept higher taxation.

It is important to remember the two decades characterised by the crippling debt crises of the 1980s and 1990s are generally remembered as “the lost decades” in which development stalled in many places or even went into reverse. For good reason, the AAAA demanded that problems of this nature must be addressed.

Governments of high income countries have so far refused to start negotiations on a multilateral mechanism that would allow the international community to resolve future debt problems systematically. Such a mechanism is needed. It would increase African government’s scope for DRM.

Another important issue is that national governments cannot successfully tackle IFFs on their own. Once more, the established economic powers are dragging their feet.

On behalf of the African Union and UNECA, a high-level panel of African leaders published a report on IFFs in early 2015. The topic has since stayed high on the agenda of international discourse. The SDGs include a target devoted to reducing IFFs, and the AAAA called on the international com-

munity to act. So far, the debate has not led to convincing results.

Indeed, IFFs are “significant” and a “persistent drag on developing countries”, according to the Washington-based think tank Global Financial Integrity (2019). Nonetheless, adequate measures are not being taken. The lack of consensus on an “IFF definition” serves as a pretext. The core dispute is absurd. Some parties argue that tax avoidance should not count as an IFF. In practice, however, tax avoidance is not simply one of several IFFs. It is actually the main driver of other IFFs which typically depend on the institutions, enablers and mechanisms set up by the tax-avoidance industry.

A developing country cannot curb IFFs on its own. Relevant measures would have to apply to cross-border transactions, so more than one government is involved. Tax dodging by multinationals and wealthy individuals is obviously a global problem. It is often – and correctly said – that African problems require African solutions. In the same sense, global problems require global solutions.

The Group of 77, which is actually a coalition of 134 African, Asian and Latin American countries in UN settings, has been demanding intergovernmental negotiations to tackle IFFs. Civil-society organisations around the world endorse that demand. By finally engaging in negotiations on a sovereign-debt mechanism and measures to control IFFs, donor governments could prove that they are serious about promoting DRM in developing countries.

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SDGs offer business opportunities

Achieving the sustainable development goals (SDGs) is a global effort, and many different sources are funding. The private sector has much to gain from paying attention to this agenda, according to Homi Kharas from the Brookings Institution. Impact investing, which is meant to generate a measurable, beneficial social or environmental impact apart from financial returns, is of great relevance.

Homi Kharas interviewed by Hans Dembowski

For decades, OECD nations have mostly failed to live up to their pledge of spending 0.7% of gross national income (GNI) on official development assistance (ODA). What can and must their ODA contribute to achieving the SDGs?

ODA is an important catalytic source of funds. The focus on 0.7% is important as a target, but not all OECD members have signed up to this. ODA should not be judged on the basis of the volume alone; it is important that ODA is targeted to the poorest and most fragile countries, that it helps mobilise other sources of funding, including private capital, and that it helps providing core resources for development agencies and allows them to deliver global public goods.

What can and must the governments of emerging markets such as the BRICS contribute?

Emerging market economies have a philosophy of mutual cooperation, and many have specific areas of expertise, like infrastructure in the case of China, or tropical agriculture in the case of Brazil. Other emerging economies have focused on aiding their regional neighbourhood. They are also starting to contribute more resources to multilateral development agencies. These are all welcome initiatives.

How do you define south-south cooperation in this context – or does the ODA definition basically apply?

South-south cooperation does not always have the same degree of concessionality as

ODA. Concessionality means that recipients do not pay the full market prices, including, in the case of loans, interest rates. By definition, south-south cooperation is not about “aid” from a richer to a poorer country, but about a spirit of solidarity and mutual benefit that can be obtained through several different modalities, not just ODA.

Yes, that is the way emerging-market governments see it. Ultimately, they count any kind of exchange among developing countries and emerging markets as south-south cooperation. But is this view still justified

also successful. But we have to understand that infrastructure projects, by their nature, can be risky. Some will succeed while others will fail. We have to be careful to move beyond anecdotes of success and failure in judging the benefits of this type of cooperation.

What can and must the private sector contribute to achieving the SDGs?

The private sector can benefit enormously by aligning activities with the SDGs. By one estimate there is a potential market of \$12 trillion in sustainable activities. Research increasingly suggests that if the private sector focuses explicitly on sustainability it can improve its long-run profitability as well. Thus, it is important for private-sector companies to think about which SDG targets are most relevant for their operations and to



The new metro line in the Indian metropolis of Nagpur is being built with support from German ODA via KfW Development Bank.

when an increasing number of developing countries are struggling to pay back Chinese loans, many of which relate to ODA-like infrastructure investments?

This is a very important point. Ultimately, ODA or any other source of finance is not the core benefit that developing countries receive from others. The benefit comes from the projects that that can be implemented as a result of the financing. As long as the infrastructure projects undertaken by Chinese companies are successful, one can conclude that this type of south-south cooperation is

include these targets into their operational, financial and human-resource plans.

In what sense are there different obligations for northern-based and southern-based private companies?

All companies face the same markets, so there are no differences between northern-based and southern-based companies.

Who can press private-sector companies into actually considering other goals than maximising profits – and by what means?

Because the SDG targets are interlinked, there is no long-term trade-off between profits and environmental and social goals. Profits are unlikely to be sustainable in the long-run if they affect SDG achievement negatively. What is needed is simplification of reporting and adherence to core standards, so all companies face a common level playing field. The International Finance Corporation (IFC), the World Bank subsidiary that specifically supports private-sector development, for example, has just introduced a new set of impact investing principles that it hopes all companies will follow.

SDG achievement ultimately depends on governments' ability to provide public services and safeguard public goods. To what extent is raising sufficient domestic revenues the core challenge and more important than international cooperation?

Most spending on the SDGs comes from domestic tax revenues. Sound public finances are a prerequisite for achieving the SDGs. But many low-income countries simply do not have the resources to match the scale

and urgency of the challenge. In these cases, international cooperation is essential. Middle-income countries also face high costs for putting in place sustainable infrastructure, in particular. So they too require international cooperation, from development agencies and the private sector, each of which would contribute funding and risk sharing to blend with domestic resources in a suitable financing package.

Apart from ODA, rich nations have pledged to provide an annual \$100 billion in private and public funding for climate action in developing countries and emerging markets. To what extent is climate finance a separate agenda?

Climate finance is sustainable development finance, but it has emerged on a separate institutional track for a number of reasons, in just the same way as many sectors have earmarked financing. The \$100 billion commitment, however, is only one part of the required climate finance.

What are the others, and who is responsible for making them available?

The biggest part of climate finance today is the private sector. About \$168 billion in green bonds were issued in 2018, a large absolute number but still a very small fraction of the total corporate bond market that issued \$1.34 trillion. Much of this falls under the heading of "impact investing". This is a broader asset class that includes both climate and social investments. The IFC estimates the size of the impact investing market as up to \$26 trillion. This potential can be realised if the financial sector as a whole starts to consider climate change, along the lines recommended by the task force on climate-related financial disclosures. It was set up by the multilateral Financial Stability Board, which in turn was established by the G20 summit in London in 2009.



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The 24 board members of the Green Climate Fund.

Ambiguity instead of accountability

The international community still lacks a clear definition of what kind of funding counts as climate finance. Future climate summits must resolve this issue. Global action hinges on it.

By Liane Schalatek

In 2009, the UN climate summit in Copenhagen famously failed to agree on a comprehensive agreement. Instead, a rudimentary Copenhagen Accord was adopted. It included a commitment of the industrialised nations to jointly mobilise “100 billion dollar per year by 2020 to address the needs of developing countries”. This funding was to come from a “wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.” Obviously, the provision of adequate climate finance is also a pillar of the Paris Agreement, the conclusive contract concluded in 2015 to keep global warming below two degrees at most and preferably below 1.5 degrees.

Moreover, the Copenhagen summit decided that a significant share of adaptation funding was supposed to be delivered

through a new Green Climate Fund (GCF), the governance structure of which would provide for equal representation of developed and developing countries. One year shy of the 2020 deadline, two questions arise:

- What progress have developed countries made in fulfilling their promise?
- What role does the GCF play in channelling those financial flows?

There is no straightforward answer to the first question. Ten years after Copenhagen, we still do not have a commonly agreed definition of what counts as climate finance. Nor is there an agreement on how much of the \$100 billion per year should come from public sources rather than private ones.

The latest climate summit in Katowice in December 2018 discussed two climate finance reports. One was prepared by the Standing Committee on Finance of the UN Framework Convention on Climate Change (UNFCCC), the other was prepared by the Organisation for Economic Co-operation and Development (OECD), an organisation of high-income countries. Both documents

are useful, but the information they provide does not add up to an entirely conclusive picture.

The good news is that both reports give some evidence of climate finance increasing, potentially even fast enough to reach the sum of \$100 billion next year. At the same time, they show that the flows nonetheless fall woefully short of what was promised, let alone what is needed.

The UNFCCC report was drafted as the latest in a series of biannual assessments of public climate-finance flows from developed to developing countries. It covered the years 2015 and 2016, stating that such flows increased 30% in those two years, reaching \$55.7 billion in 2016. The OECD report assessed public climate-finance flows from 2013 to 2017. According to it, there was a 44% increase in that period, with funding rising to \$56.7 billion in 2017.

Both reports show that donor governments still overwhelmingly prioritise funding the reduction of emissions over building resilience in recipient countries. A mere quarter of public flows serve adaptation purposes.

Unfortunately, the reports do not tell the full story because they shy away from many relevant issues:

- They do not assess to what extent climate finance is provided on top of official development assistance (ODA). Such “additionality” was promised in Copenhagen.
- The reports do not deal with the predictability of funding. Predictability is es-

essential for facilitating the policy ownership of developing countries.

- While they do show whether public funding was delivered in the form of loans or grants and that loans are still the lion share of the money delivered, neither report lists the (lower) grant equivalent value.
- The reports do not elaborate what kind of climate finance is adequate. Should adaptation support occur in the form of grants or loans? Should adaptation funding be even more prioritised for least developed countries (LDCs) and small island developing states (SIDS)? They have done the least to bring about climate change, but suffer the worst impacts. Is it legitimate to include as public climate finance money from export credit agencies, even though it is geared to generating income in donor countries? The OECD report does so. And what about the gender dimensions of climate finance? Only the UNFCCC has begun to consider this matter in its climate-finance reporting.

At the Katowice summit last year, developing countries wanted a comprehensive climate-finance accountability package to be adopted. It would have obligated rich nations to state in advance what funding they would make available. It would also have introduced a clear reporting procedure to check to what extent they lived up to the advance pledges. However, the developed countries rejected any attempts to define climate finance more precisely. They even refused to use common reporting time frames.

The reporting guidelines approved in Katowice are thus too vague. They allow developed countries to count an almost unlimited list of financial flows as climate finance. They can even include non-financial efforts, in the fields of capacity building and technology transfer, for example.

The current scenario is exasperating. It is impossible to precisely assess whether the \$100 billion pledge will be fulfilled next year. Moreover, 2020 is also the year by which parties to the Paris Agreement are supposed to increase the ambition of their nationally determined contributions (NDCs) to climate protection. Commitments must be stepped up considerably to achieve the goals. However, many developing countries have stated that more ambitious action on their part will depend on increased support from developed ones.

By 2025, moreover, a new target for global climate finance is to be set, and the consensus is that it must exceed \$100 billion. Developing countries insist on a new collective goal, based on joint deliberation and in tune with their needs. No doubt, the international community needs a clear definition of what climate finance is – and how much money developed country governments must make available. Since Copenhagen, ambiguity has clouded accountability – and that must change. Future climate summits must resolve this issue.

PRIORITISE THE GREEN CLIMATE FUND

The second major climate-finance controversy concerns the role of the Green Climate Fund. It is technically the largest multilateral climate fund and the newest addition to the global climate-finance architecture. It was established in the context of the UNFCCC and reports directly to UNFCCC summits. Developing countries overwhelmingly regard the GCF as the primary multilateral channel for supporting climate action under the Paris Agreement.

So far, governments of high-income countries have pledged \$10.3 billion to the GCF. The sum includes \$3 billion from the USA, of which \$1 billion was already paid, while nobody expects the administration of President Donald Trump to transfer the remaining \$2 billion. It is far from certain that other high-income countries are willing to make up the shortfall as developing countries demand. But even if the money was contributed, the GCF's financial clout would obviously remain quite modest. After all, trillions of dollars are needed to achieve the goals of the Paris Agreement.

The GCF is important nonetheless. By March 2019, it had 84 implementing partners, including multilateral development banks, UN agencies, bilateral institutions as well as multinational private sector banks. The majority of implementing partners (49) are regional and national institutions from developing countries, but, so far, the multilateral development banks received the lion's share. The GCF has so far approved 102 projects worth \$5 million, of which the so-called "international access entities" got 84%.

Quite obviously, that share is much too big for promoting the policy ownership of developing countries. Country owner-

ship, however, is a core principle of the GCF. On the upside, GCF cooperation with national-level institutions has been promising. The crucial element is that national agencies must approve all projects, can submit proposals and elaborate country programmes.

From the perspective of developing countries, the GCF has several other advantages:

- Developed and developing countries have equal representation on the 24 member board, and seats are reserved for LDCs and SIDS.
- The GCF is unambiguously committed to sustainability.
- It recognises that its funding must serve multiple purposes beyond climate action – such as poverty alleviation, broader environmental protection and gender equity, for example.
- It commits 50% of funding (in grant equivalent terms) for climate adaptation and also reserves half of its adaptation funding for SIDS, African states and LDCs.
- Contributors to the fund cannot earmark funding, which is how governments of high-income countries are increasingly remote-controlling multilateral agencies.

The GCF has an important role to play, so it is frustrating that its long-term future is not guaranteed. It urgently needs more money. Not least in view of US obstruction, it is unlikely that the first formal replenishment round will be generous. The GCF will hold a pledging conference in early November, shortly before the next UN climate summit in Santiago de Chile. Norway and Germany have set a good example by announcing that they will double their contributions. Indeed, if contributor country governments want to prove to developing countries and emerging markets that they are serious about climate action, they must ensure that the GCF gets at least twice the \$10.3 billion that they pledged in the first round.



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An example of new forms of cooperation: a joint Paraguayan, Indonesian and German side event at the BAPA+40 conference.

Cooperation of the future

Achieving global development goals will require the combined effort of the international community. All countries have something to contribute, and all have something to learn. To mobilise the funding needed, it is necessary to form the kind of global partnership that the UN outlines in the 17th Sustainable Development Goal (SDG). New financial institutions are playing an important role in south-south cooperation.

By Luiz Ramalho, Rita Walraf and Ulrich Müller

The global south is making increasingly significant contributions to global development. The economic and geopolitical relevance of many countries has grown. In the past, south-south cooperation focused on sharing knowledge and building capacities, but the countries of the global south and new financial institutions have recently also become increasingly active in development finance. Triangular cooperation, which in many cases involves a developing country, an emerging market and a traditional donor country, is becoming more common as well.

In order to improve conditions for success, representatives from 160 countries

and numerous organisations shared experiences at the UN Conference on South-South Cooperation (BAPA+40) at the end of March in Buenos Aires. Participants also discussed how their experience in this field can serve the implementation of the SDGs.

The existing controversies about south-south and north-south cooperation have diminished but still prevail. This became clear in the resistance some countries articulated against mentioning – as it was finally agreed – development effectiveness and triangular cooperation in the conference’s final statement. Other controversies that came up in the final debate had no influence on the text of the statement. Some countries questioned the legitimacy of the current Venezuelan government, which caused others to reiterate the principle of non-interference in domestic affairs. On the other hand, the USA claimed its right to go its own way in regard to climate issues and international trade.

It is a good sign, by contrast, that the principle of national policy ownership is now generally accepted. In Buenos Aires, Maria Fernanda Espinosa, the president of the UN General Assembly, called for overcoming paternalistic and vertical models

of cooperation. She stressed that cooperation should make use of each country’s strengths. This also corresponds with the experiences of north-south cooperation and is a precondition for knowledge sharing and mutual learning.

RELEVANT BANKS

Building infrastructure and financing relevant projects is of crucial developmental relevance. The rise of south-south and triangular cooperation means that funding requirements are growing too. In addition to bilateral development banks such as Brazil’s BNDES (founded in 1952, headquarters in Rio de Janeiro) or South Africa’s DBSA (founded in 1983, headquarters in Midrand), other financial institutions were founded in emerging markets at national, regional and global levels, not only in recent years.

One example is the China Development Bank, which was established in 1994 (headquarters in Beijing) and is increasingly involved in financing projects in the global south. The BRICS countries (Brazil, Russia, India, China and South Africa) created another financial institution four years ago: the New Development Bank, which has its headquarters in Shanghai. Initially this bank was exclusively active in the BRICS countries, but this year it announced that it would expand operations to non-members.

Another milestone was the creation of the Asian Infrastructure Investment Bank

(AIIB) in Beijing (see Kathrin Berensmann, Focus section, D+C/E+Z e-Paper 2016/04). It was a Chinese initiative; other nations were invited to participate. The AIIB is a new multilateral institution that is relevant beyond Asia. It has even begun to lend to European countries. It is expected to contribute considerably to financing projects related to China's enormous infrastructure investment programme, the Belt and Road Initiative, or the "New Silk Road" (see interview with Doris Fischer, p. 28).

In 2015, Britain, Germany and France were among the countries that decided – against the urging of the United States – to become shareholders in the bank. The AIIB began operations in early 2016; it now has 97 members. As of the middle of last year, it had invested \$5 billion in 28 projects in 13 countries, with a focus on infrastructure. Initially the AIIB co-financed projects with the established multilateral development banks, but it is now gradually adopting projects of its own. Experts criticise, among other things, its lack of transparency with regard to lending, its failure to properly monitor the effectiveness of its own standards and the limited influence of the non-Chinese shareholders (see Cema Tork in Monitor section of D+C/E+Z e-Paper 2019/06). Today Germany is the fourth-most important shareholder.

STRATEGIC ADVANTAGE

Among the established development banks, the Islamic Development Bank (IsDB, founded in 1975, headquarters in Jeddah,

Saudi Arabia) gives an example of how to connect development finance and triangular cooperation. Its "Reversed Linkages" programme is designed to find funding for policy measures that applicant countries consider essential. In the future, the IsDB wants to cooperate in this programme more with rich nations like Germany.

Japan pioneered triangular cooperation. Nowadays, Germany is playing a prominent role as well. According to OECD data, Germany is involved in more than 100 such projects. In Buenos Aires, speakers emphasised the strategic advantage of triangular cooperation: it builds trust and better relationships between governments and other actors. Speakers also stressed that private-sector companies, think tanks and civil-society organisations should be involved in planning in order to "ground" projects. It is generally accepted that mutual accountability of all parties and joint action are the founding principles of successful triangular cooperation.

A core message of the conference is that south-south and triangular cooperation are important for achieving the SDGs. They should be enhanced and applied more frequently. For the system of official development assistance (ODA), this provides opportunities and challenges. One serious challenge is to overcome the often as unilateral criticised paradigm of aid towards a cooperation on equal terms. Thus, triangular cooperation could become the development cooperation of the future, in which countries participate that have graduated from ODA eligibility.

Many governments are proud of what their countries have achieved. At the same time, they consider out-dated the current criteria for what countries are ODA eligible. They would like to base international cooperation on new foundations. For countries in the process of ODA graduation, the focus typically shifts towards technical cooperation and knowledge sharing. South-south and triangular cooperation are now accepted components of international cooperation, effectively complementing other means of achieving global goals. They merit greater attention.



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"New" cooperation agencies

The rise of south-south and triangular cooperation represents a major challenge for the coordination of development efforts. Accordingly, many countries have strengthened their institutional structures. For instance, they have improved coordination between different ministries or established new cooperation agencies. In many

cases, these agencies have a dual function for outgoing and incoming funding. This reflects the insight that all countries have something to contribute and something to learn. Nonetheless, structures still must become more efficient. Processes need to be further developed, and additional competences have to be fostered.

At the UN conference on South-South Cooperation in March in Buenos Aires (see main text), the Islamic Development Bank (IsDB) and others presented a study which the South Centre had carried out on their behalf. The study identified the seven core elements for the ecosystem of south-south and triangular cooperation:

- political will,
- national strategies concerning south-south and triangular cooperation (SSTC),

- SSTC databases,
- entities that are able to handle both incoming and outgoing funds,
- agencies committed specifically to SSTC,
- financing mechanisms, and
- performance management.

In the future, south-south and triangular cooperation can – and should – play a greater role in piloting new solutions to be scaled up by financial cooperation. (lr, rw, um)



Nairobi Terminus: China is financing major infrastructure projects in many developing countries.

Pecking order of nations

China is interested in sustainable development and willing to cooperate at multilateral and bilateral levels. The Communist Party sees fighting poverty, not environmental protection, as the top priority initially. In Chinese eyes, however, the US administration is currently making unacceptable demands for unconditional surrender, as China scholar Doris Fischer elaborated in an interview.

Doris Fischer interviewed by Hans Dembowski

What is China contributing to funding the UN sustainable development goals (SDGs)?

That is hard to say, not least because we don't have any clear definitions of what counts as SDG finance. Government spending is relevant, and so are private transactions. Investments made domestically may play a role, and so may investments made abroad.

But do the SDGs serve as guidelines for Chinese policymaking?

Yes, the Chinese government endorses this agenda, and not only rhetorically. But we must bear in mind that the agenda is quite complex. There are some conflicting goals. In the eyes of the Communist Party, fighting poverty must initially have top priority as people first of all need sufficient food, clothes and housing. For a long time, this was the reason why China kept postponing environmental protection domestically; but that has changed. Europeans, by contrast, typically associate sustainability with environmental protection and climate-change mitigation.

But isn't China guilty of double standards, for example, when it finances new coal-power stations in less-developed countries while striving to phase out fossil fuels at home?

Well, the people I am in touch with in China would tell you that those partner countries urgently need energy and that the idea is to help them to use fossil resources in ways that minimise the climate impact. What they are

saying today actually resembles how German business leaders responded a few decades ago when asked whether they were not bypassing European environmental and social standards by investing in China. No, not entirely, they would claim, insisting that their own corporate standards were superior to what was otherwise the norm in China.

China's approach seems cynical nonetheless. The leadership knows that the use of fossil fuels will have to be discontinued soon, and its foreign partners will end up with new, but no longer viable infrastructure. No, I don't think that Beijing is cynically trying to sell partners outdated technology. From the Chinese perspective, south-south cooperation involves countries that suffered under imperialism and colonialism and are now pursuing common interests on an equal footing. The Chinese government assumes that all parties involved know what they are doing, assess risks diligently and are keenly aware of their countries' interests.

The Chinese government considers the People's Republic to be one of many developing countries. Does that still make sense in view of its growing clout, not only in world trade, but as an international financier as well?

Well, arguably China's rise over the past four decades was the most spectacular development success of all times. Accordingly, the Chinese leadership is extremely self-confident. They know what worked, and they want to make it work again elsewhere in cooperation with partners. It also matters that some regions in the People's Republic have developed much less so far. Moreover, the nation's per-capita income is lagging far behind the USA, Japan and Western Europe. On the other hand, it is obvious that the self-description as a developing country is no longer entirely convincing. In Africa, for example, people increasingly disagree with it.

Chinese agencies are funding major infrastructure projects abroad in the context of the Belt and Road Initiative (BRI). Is this policy sustainable in every sense: environmental, economic and social?

That is certainly China's aspiration, but let me repeat that it is debatable which dimension of sustainability is the most important in any specific place at any given time. It would be wrong, moreover, to see the BRI as a conclusive and coherent strategy. It really is a rather general doctrine for policies relating to foreign affairs and international trade. The BRI label can be used for a great variety of things. It is striking, moreover, that the strategy cannot fail because no criteria for success have been defined. The Chinese leadership sees the BRI as an offer to the world to apply what worked in China elsewhere to drive development there. The argument is that China first built roads, ports and other kinds of infrastructure, and what followed was industrialisation with masses of new jobs. Beijing wants to replicate that model, and the new multilateral Asian Infrastructure Investment Bank (AIIB) serves that purpose too.

But isn't it obvious that the BRI and the AIIB are vehicles for the pursuit of Chinese interests?

Yes, of course, but that is absolutely normal. Western governments' self-interest is obvious when they engage in bilateral or multilateral cooperation. From the Chinese perspective, the infrastructure programmes are beneficial in many ways. They facilitate trade. They enhance China's geostrategic influence. In many cases, they contribute to keeping Chinese companies busy, which

would otherwise have to cut overcapacities. What is being built, moreover, is infrastructure that partner countries want and often desperately need.

Some BRI loans have led to over-indebtedness. When Sri Lanka was unable to service credits, China claimed a newly built harbour and took control of this facility for 99 years. Kenyans fear that their government may have offered the port of Mombasa as collateral for loans taken to build railway infrastructure. Does Beijing see these matters?

The people in charge understand full well that the Sri Lankan case has badly hurt their reputation. They will do their best to prevent something like that from happening again. They probably did not foresee how things would develop in Sri Lanka and certainly did not want their public image to suffer.

Please explain.

The Chinese tend to try out things without premeditating every detail that might go wrong. The contract with Sri Lanka gave China the right to seize the port, so that is what they did. It does not mean that they wanted it to happen right from the start. The government knows that it needs partners internationally, and that partnerships hinge on successful cooperation. It has certainly understood by now that the assumption that all partners would always fully consider their countries' interests was naïve. Chinese colleagues tell me that they find it mind-boggling how dysfunctional governments have wrecked entire countries – for example in Venezuela and Zimbabwe.

China is not corruption free itself.

No, of course not, but ever since Deng Xiaoping, the Communist Party has always focused on developing the country. Its rule is authoritarian, but it closely observes the mood of the nation. As it normally does, it is experimenting in the BRI context, testing what works and what the implications are. The regime is a learning system. The government is now trying to find solutions to over-indebtedness and certainly wants to prevent such problems from arising in the future, not least for the sake of its own reputation. The willingness to cooperate with the International Monetary Fund and western governments in this context is growing. Ultimately, the multilateral system must also prove it is able to learn.

But multilateralism is currently under attack – especially from US President Donald Trump.

Yes, and the way he is operating in the trade war is most unwise. Initially, many Chinese economists thought he might be putting pressure on China in a way that would lead to meaningful reforms. That had been the case when China had to adopt to the rules of the World Trade Organization (WTO) in order to become a member. In the meantime, however, Trump's demands sound like ultimatums for unconditional surrender, and not only the Chinese government finds that unacceptable. Apparently, the USA is not interested in defining sensible shared rules, but wants to establish a pecking order of nations. Accordingly, multilateral issues – including SDG achievement – are becoming secondary. That is the way many Chinese see it even if they happen to have strong liberal leanings. Since the global financial crisis, the west's standing as a role model has suffered considerably. Today, those who have always said that democracy means instability feel reconfirmed by Trump's erratic action – but also by United Kingdom's increasingly bizarre Brexit scenario.

Could Trump achieve more if he teamed up with the EU and Japan to put pressure on China within WTO settings?

Such an approach would at least comply with international rules, and China would appear to be an equal member with equal rights. The current developments are depressing. Many Chinese trade experts know that compromises are necessary, and that they would actually serve their country's interests – for example, in regard to intellectual property or foreign investors' rights. For good reason, the administration of US President George Bush wanted China to become a responsible partner in multilateral affairs in the nought decade. Today, the US itself is no longer acting responsibly.



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On the threshold

In the next 10 years, many emerging markets which are currently classified as middle-income countries are set to become high-income countries. This change implies a challenge for financing the Sustainable Development Goals (SDGs). The reason is that official development assistance (ODA) has so far contributed most funding for SDG relevant action in the countries concerned. Once they graduate into the high-income category, however, they will no longer be eligible for ODA. New financing options need to be found.

By Michael Krempin

According to estimates that the Organisation for Economic Co-operation and Development (OECD) made in 2014, 28 countries with an aggregate population of around 2 billion people will cease to be ODA eligible by 2030. They include emerging markets such as China, Brazil, Mexico, Argentina, Malaysia, Thailand and Turkey.

The OECD forecast is based on per capita income projections. They show that the 28 countries will join the group of high-income countries (HICs) by 2030. In the past 40 years, more than 50 nations were removed from the ODA recipient list. Examples include South Korea and Singapore.

A country ceases to be ODA eligible once it has exceeded the ceiling of the upper middle income category for three consecutive years. According to the OECD, that ceiling is currently a per capita GNI (gross national income) of \$12,235. The country list is only revised every three years, so it can actually take a country up to six years to formally lose its ODA recipient status.

The OECD projections are not necessarily accurate, but the trend is clear. In 2018, Chile and Uruguay were removed from the list of ODA-eligible countries. The permanent loss of ODA eligibility, moreover, is generally preceded by a sharp reduction in ODA appropriations. With resources flowing to an ever-declining number of countries,

the reach and relevance of ODA will decline – including in the context of SDG finance.

FINANCING GLOBAL SUSTAINABLE DEVELOPMENT

Emerging markets like China, Brazil and Mexico matter very much in the provision and preservation of global public goods (such as, for example, environmental and climate protection). They are most relevant actors in the implementation of global UN agendas such as the SDGs and the Paris climate agreement. The SDGs add up to a universal compass, pointing the way as much for the industrialised world as for developing countries and emerging markets. This agenda cannot be implemented successfully unless all nations cooperate in a spirit of global partnership.

That many emerging markets are about to graduate from ODA eligibility presents a risk to that global partnership. The UN has passed resolutions to mobilise funding from other sources (including state, non-state, international and UN sources), but ODA still plays an important “catalytic” role in achieving global development goals.

Both donors and the emerging markets concerned lack concepts for plugging



Rainforest in Brazil: emerging markets are very important for providing and safeguarding global public goods.

the gaps that will open up in SDG finance because of ODA graduation. They need to develop a vision of international cooperation “beyond ODA” – and they will need a toolbox for financing it. They must rise to the challenge by drafting shared strategies for the transition from transfer-based development cooperation (DC) to a different kind of international cooperation (IC).

On the upside, the OECD did decide in 2017 to pay more attention than in the past to ODA graduation and its impacts. So far, ODA is based only on average per capita income, and that will hardly change. It is unlikely that ODA will be redefined to take account of matters such as social inequality, environmental hazards and climate challenges. The international “beyond ODA” debate on financing global sustainable development is still at a fairly early stage.

ADDRESSING ODA GRADUATION

With GIZ support, the London-based Overseas Development Institute (ODI) is currently assessing how donor governments and their partners should address the challenges of ODA graduation and how to make the transition from DC to IC. At the heart of related ODI research are four country studies: one concerns a country that has successfully completed the transition (South Korea), another concerns a country currently facing ODA graduation (Chile) and two

concern countries that are set to lose their ODA eligibility by 2030 (Mexico and a yet to be identified African country).

The research focuses on the transition from DC to IC as well as the design of future IC. Relevant questions include: How can the transition be managed successfully? To what extent will IC build on DC experience and previous DC relationships? At present, there are very few examples of these challenges being dealt with well. When DC with Malaysia was phased out, for example, discussions on harnessing the DC legacy were organised by Germany’s Federal Ministry for Economic Cooperation and Development (BMZ). However, that was done too late to deliver a workable concept.

In a study published at the end of 2017, Chile’s bilateral development agency Agencia de Cooperación Internacional de Chile (AGCI) and the UN Development Programme (UNDP) proposed to establish a graduation fund that might help newly graduating countries to finance SDG related efforts. Such a fund would certainly help to manage the transition from DC to IC.

As for the German response to the impending mass graduation of emerging markets, it must first be clarified whether the BMZ could still play a role in cooperation with the no-longer ODA eligible governments (whether in regional, global and sectoral projects or in formats such as triangular

cooperation). It must then be clarified what resources and funds other departments of Germany’s federal government could contribute to international cooperation.

The BMZ is not the only government department to disburse ODA money. So far, the Federal Environment Ministry, the Federal Foreign Office and other departments are keen on a large share of their spending being counted as ODA. This is likely to pose problems for SDG finance once emerging economies graduate from middle-income status. They will still require the funding, but it can then no longer be ODA. A rethink is needed. Germany’s Federal Government must reassess its policy and make more money available for IC beyond ODA. The definition of both a new category of SDG finance and ways to measure it would support such efforts (see box below).

Policy coherence must improve, moreover, so international cooperation for sustainable development can be enhanced. A “whole of government approach” is indispensable. This is already evident in settings such as the inter-ministerial Sino-German government consultations, that Chancellor Angela Merkel leads.



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A measure of SDG finance

One challenge of financing the Sustainable Development Goals (SDGs) is that a growing number of countries are set to lose their eligibility to receive the official development assistance (ODA) on which they have so far based relevant action (see main article). New approaches are required. Additional funds must be mobilised urgently.

Major progress in this debate was made at the Financing for Development conference in Addis Ababa in 2015. Back

then, the OECD assumed the task to develop a new category of international finance and ways to measure it. The result is a concept called Total Official Support for Sustainable Development (TOSSD). On the one hand, TOSSD is meant to encompass all kinds of monetary contributions made to drive sustainable development in ODA-eligible countries, including grants, concessional and non-concessional loans, guarantees and equity, public-

private partnerships as well as funding from private companies and non-governmental organisations leveraged by public agencies and, finally, humanitarian aid. On the other hand, TOSSD is also designed to cover finance flows beyond ODA if they address global challenges at regional and global levels or promote sustainable development, for example, by providing or preserving global public goods.

OECD donors have committed to spend 0.7% of their respective gross national incomes on ODA. Therefore, they are doing their best to make

most of the resources they invest in international SDG achievement count as ODA.

If TOSSD was established as a second official and equally important finance category alongside ODA, ODA eligibility would become less important. The new finance category would create a major incentive for international cooperation “beyond ODA” and promote the international activities of a whole range of government departments because the allocation of resources could be reported internationally as TOSSD. It is therefore important to adopt TOSSD officially as soon as possible. (mk)



All impacts must be considered: people protesting in Nairobi last year against plans for a new power station and coal mining in Kenya.

Time to face the challenge

The landscape of SDG finance is bewilderingly complex. According to the OECD, systemic change is needed to give financial actors adequate policy guidance. The idea is not only to map the landscape better and to track various categories of financial flows. There is a need to define those categories precisely and to adopt rules and regulations accordingly at all levels of policymaking.

By Hans Dembowski

Later last year, the Organisation for Economic Co-operation and Development (OECD), published its “Global outlook on financing for sustainable development 2019”. The flagship report of this umbrella organisation of rich nations raises an alarm, pointing out that not enough funds are being made available for achieving the UN’s sustainable de-

velopment goals (SDG). Indeed, SDG spending actually seems to be declining.

According to the authors, the international community will now either set in motion a virtuous cycle or a vicious one. In the first case, adequate spending on SDGs in rich countries will trigger appropriate resource mobilisation in less advantaged countries, so progress in terms of sustainability is made. Externalities will then be positive and reduce the costs of further SDG implementation. In that scenario, multilateralism will be reinforced, and SDG funding will seem more affordable from year to year.

If, however, rich countries do not provide sufficient funding now, developing countries and emerging markets will also invest less, so the externalities will be negative, and the challenges will look ever more daunting. Multilateralism would become

ever less attractive, while global problems such as environmental degradation, population growth and poverty would become ever more difficult to tackle. SDG attainment would seem ever farther out of reach.

As the OECD report argues, it is essential to set the vicious cycle in motion now. The international community must not let things get worse, but has to create the right dynamics for global progress. Though the annual SDG financing gaps are estimated to amount to \$2.5 trillion (which is 17 times more than annual ODA flows around the world), the OECD experts insist that the money can be mobilised. Their point is: “Global savings largely exceed the SDG financing needs.” The snag is that much of those savings are not used for SDG purposes so far.

The report’s starting point is plausible. As the document also shows, however, the landscape of SDG finance is bewilderingly complex. The OECD has a clear definition of what kind of spending counts as official development assistance (ODA) and monitors the relevant financial flows diligently, but

there is no international consensus on what SDG finance means. A wide range of transactions is relevant.

ODA is only one pillar, and not the most important one. Others include government revenues of developing countries and emerging markets, domestic private investments, foreign direct investments, migrants' remittances, ODA-like programmes of emerging-market governments and action by philanthropic institutions.

The authors assess a broad range of these pillars. They find difficulties everywhere. They assume, for example, that a country's tax revenues should at least be worth 15% of gross domestic product. However, the average ratio for low income and least developed countries is a mere 14%. That figure implies that tax systems have to improve in many places (also see Dereje Alemayehu on p. 20). At the same time, it is reckoned that 80% of low income and least developed countries offer private investors tax breaks and tax holidays that do not serve sustainable development. The report states that such destructive practices must be curbed.

It also points out that foreign direct investments to developing countries dropped by 30% in 2016 to 2017. Protectionist trends might reduce them further.

RESULTS MATTER

Given that the money sent home by migrants accounted for more than 30% of GDP in countries like Tajikistan, Kyrgyzstan or Tonga, the OECD team bemoans that not enough is being done to facilitate the flow of remittances. They are declared to be too expensive. Another serious challenge is that they are not used systematically and prudently in ways that would lead to SDG achievements. More policy guidance is needed, according to the OECD, and that basically is true of all pillars of SDG finance.

In the eyes of the OECD experts, results matter, but intentions do not. If, for instance, a major infrastructure programme causes considerable environmental damage, they want to exclude the related expenditure from SDG finance statistics. They argue that the real environmental and social impact of any investment – whether public or private – must be checked: “It is necessary to distinguish the share of finance that effectively promotes sustainable develop-

ment from the share that does not or that aggravates economic, social and environmental outcomes.” Accordingly, the report calls for a stronger culture of evaluation and impact assessments – not merely in the public sector, but in the private sector and civil society as well.

Further complicating matters, future financing opportunities are very hard to predict. As the number and the diversity of relevant financial actors is growing, financial flows are becoming more volatile too. The business cycle has an impact on all sources of SDG finance, and world trade has impacts on all countries. Natural and political disasters (including war) can severely harm economies. In the eyes of the OECD team, all of these issues need to be taken into account.

The authors warn that the landscape of SDG finance has become very difficult to navigate, so governments with weak capacities in particular are likely to be overburdened. The authors counted more than 1,000 financial instruments that policymakers can choose from. From 2000 to 2016, according to the report, bilateral donors set up 167 facilities for blended finance, involving both private and public funding.

Synergies and trade-offs are hard to understand, and fast innovation keeps making the scenario ever more complex. They argue that the governments of low income and least developed countries must get the support they need to be able to optimise their countries' policies on SDG finance. In line with the aid-effectiveness debate the OECD launched after the turn of millennium, they want national governments to be in the driver's seat when it comes to drafting and implementing development policies.

IMMATURE MARKET

In view of all these things, the OECD authors argue that the international community has moved on from merely assessing ODA to considering development finance in general and must now further narrow the focus on SDG finance. In their view, the market for SDG finance is “immature”. They demand more transparency, regulation and coordination. They speak of nothing less than systemic change. Categories of SDG finance must be defined accurately and the respective flows must be documented. New rules

and regulations are needed. Quite obviously, the OECD experts are eager to assume duty and start tackling these multi-layered challenges. Among other things, their report elaborates a new concept called TOSSD (total official support to sustainable development) to complement ODA.

It would be easy to dismiss their report as a self-serving attempt to implement an employment scheme at the OECD and other multilateral institutions. Free-market radicals will be tempted to do so. The truth, however, is that many SDG challenges result from market failures. To put it more bluntly than the OECD does: If markets responded to need rather more than merely purchasing power, there would be less poverty. If all market transactions included payments for repairing unwanted side effects, there would be no environmental destruction.

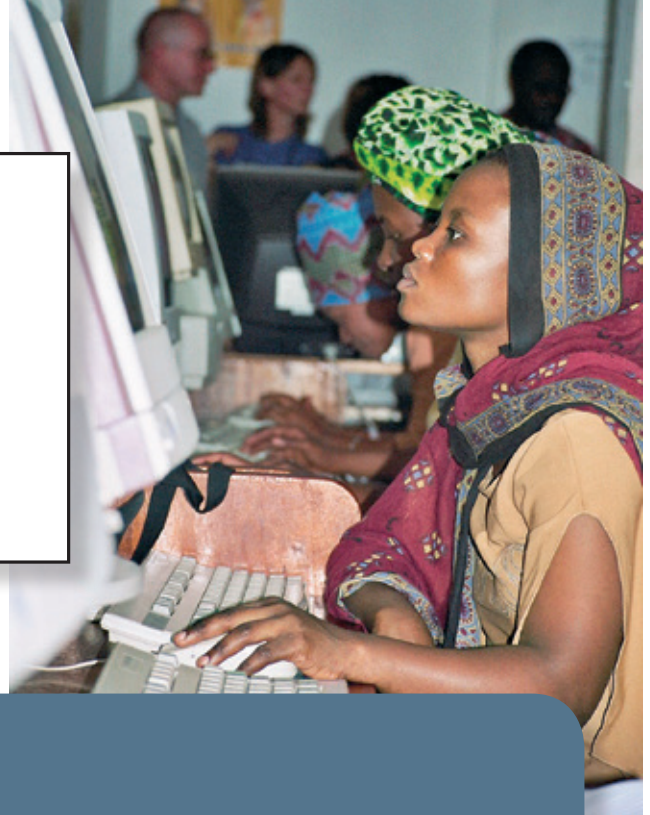
In view of the Great Depression of the 1930s, economists developed new paradigms and new concepts. Back then, national accounts were first used to compile GDP statistics. That is now business as usual, but it was a major and complex innovation back then, so it became possible to draft and implement macroeconomic policies. Today, that approach is no longer sufficient, because the accounting system does not cover environmental issues and misrepresents social ones. It only assesses spending, not people's well-being. More spending, however, does not always mean a better life.

The challenges we face now are even greater than in the 1930s, but our capacities have increased dramatically too. Nobody ever said the transformation to sustainability would be easy or simple. The subtitle of the OECD report is: “Time to face the challenge”. If humankind refuses to rise to the challenge, things will only deteriorate. As the OECD report spells out correctly, unless the virtuous circle mentioned above is set in motion, economic growth will prove elusive even in the rich nations where many citizens now wonder whether the SDG agenda is not too expensive. The truth is that the vicious cycle would prove far more costly.

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