

Collective input by the Civil Society FfD Group, including the Women's Working Group on FfD, in preparation for the 2018 IATF Report on FfD

This document has been collectively developed by the Civil Society Financing for Development (FfD) Group, a very broad platform of civil society organizations, networks and federations from around the world, that followed closely the Financing for Development since its origins, facilitated civil society's contribution to the Third International Conference on Financing for Development, and continues to provide a facilitation mechanism for the collective expression of civil society in the FfD Follow-up process. More information on the Civil Society FfD Group can be found on the group's website: <https://csoforFfD.org/about/> While the group is diverse and positions might differ on specific issues, this document expresses the elements of common concern.

Overarching comments

The Civil Society FfD Group appreciates the opportunity to provide its collective input in preparation of the IATF Report. We welcome this initial consultation and are pleased to provide our collective comments. We would reiterate, however, our wish for consistent participation and contribution to the thematic consultations and expert group meetings. As the Civil Society FfD Group has consistently proved its capacity to facilitate collective and inclusive participation to every phase of the FfD process, we believe the IATF should allow the group to self-organise the civil society contribution to the thematic consultations.

It must also be clear that normative proposals are not the domain of the IATF. The IATF should however offer the necessary evidence to inform policy-making in accordance to the agreed, hopefully multiannual, agenda. Given its polyphonic composition, the IATF should be invited to offer diverse perspectives from different angles rather than consensual and reductive positions. We would also invite the IATF to refrain from pre-empting any definitions that require consensual policy decision by Member States, a perfect example being the definition of Illicit Financial Flows.

We would also hope greater emphasis could be placed on the combined Monterrey/Doha/Addis commitments, rather than restarting from Addis as the only reference point. There are a number of important commitments that were not adequately followed up from previous FfD conference outcomes that should not be forgotten. The exclusive AAAA focus remains a significant limitation, and should be rectified in future reports, starting from the 2018 one, in order to provide the wider scope of the FfD agenda.

In addition to the FfD Conference Outcomes, it is essential for the IATF Report to also provide adequate follow-up to the FfD Forum outcomes, starting from the 2017 one and beyond explicit mandates to the IATF. This would strengthen the role of the FfD Forum inter-governmentally-agreed conclusions as a continued normative FfD contribution. Looking at the 2017 Forum, the following key elements may require follow-up in the IATF Report:

- 'We recommit to ensuring that no country or person is left behind and to focusing our efforts where the challenges are greatest, including by ensuring the inclusion and participation of those who are furthest behind' (para 3);
- 'We will continue to pursue policies, including enforceable legislation and transformative actions that seek to achieve gender equality and women's and girls' empowerment' (para 5);

- In relation to Illicit Financial Flows, the 2017 report already committed to ‘We will support continued exchanges on the development of good practices on asset return’ (para 10);
- ‘We will also make greater use of tools to assess tax policy and administration capacity in our efforts to develop appropriate strategies to strengthen our tax systems’ (para 10);
- ‘We encourage accelerating national efforts and strengthening international cooperation that supports policies and programmes to increase public and private, domestic and international investment in sustainable development and generates full and productive employment and decent work for all’ (par 2);
- ‘We invite the Inter-Agency Task Force to examine the best practices that show a catalysing effect of ODA, within its mandate and existing resources and as part of its 2018 report’ (para 14);
- ‘We encourage other relevant international financial institutions to continue periodic processes to examine their governance structures with the goal of strengthening the voice and participation of developing countries’ (para 20);
- ‘We will work towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives’ (para 17);
- ‘We will seek to address the concerns that surround the operation of creditors buying distressed debt on secondary markets. We will consider the role that state-contingent debt financing instruments can play. We recognize that aggressive litigation by non-cooperative minority creditors poses challenges in the financing and debt restructuring processes, especially for the poorest countries that lack the technical capacity to face such a legal challenge. We commit to exploring enhanced international monitoring of litigation by non-cooperative minority creditors and take action, as appropriate’ (para 18);
- ‘We will promote policies that encourage access by micro, small and medium-sized enterprises to adequate and affordable trade finance at all levels. We also note the US \$1.6 trillion shortage in trade finance provision reported by the Asian Development Bank and the International Chamber of Commerce and invite the Inter-Agency Task Force to review the trade financing gap, within its mandate and existing resources and as part of its 2018 report’ (para 15);
- ‘We will continue to implement national strategies for science, technology and innovation that comprise policy, regulatory, and institutional frameworks that strengthen the enabling environment and enhance interactive learning, along with the strategic allocation of resources and adequate infrastructure’ (para 22);
- ‘We reaffirm the importance of high-quality disaggregated data in order to determine their contribution to the national economy for evidence-based policymaking and for monitoring progress in the implementation of the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development. (...) In this context, we take note, with appreciation, of the online annex to the report of the Inter-Agency Task Force. We encourage the members of the Inter-Agency Task Force to continue to support its work’ (para 23).

I. Global Context

Economic growth is not an adequate indicator for development resource mobilisation, as first of all its impact on both public tax revenue (and thus expenditure), debt situation, as well as private investment depends on alignment of these financial flows with sustainable developmental

principles, as well as human rights frameworks monitored in addition by other UN agencies and bodies who look at the sustainable development and human rights implications of these financial flows. From a human rights and equity perspective, private finance can be highly controversial in key sectors that are in need of financing, such as water, sanitation, electricity, among others.

II. Thematic Chapter

While we recognise that the chapter will focus on the theme of the 2018 High Level Political Forum, and the SDGs under in-depth review, we urge that this focus should not stop the IATF from assessing the impact of financing modalities across the 2030 Agenda as a whole. Otherwise, as [nine UN human rights experts warned in 2016](#), there is a risk of ‘cherry picking’ certain approaches and neglecting the full range of interventions needed to realise the whole agenda and meet human rights obligations.

Approaching the SDGs under review one by one would also tend to restrict the focus on the financial availability or other means of implementation to achieve the defined targets. While this may be important, it may distract from addressing the structural and systemic causes that limit the normative and fiscal space of national governments to pursue their sustainable development agendas. We are indeed quite concerned with the excessive focus on generating financial resources while underestimating the power of realigning or development anew adequate governmental policies and regulations.

Lastly, the background papers recently commissioned by the FfD Office in preparation for the High-Level Conference on FfD and MoI of the 2030 Agenda in Doha exposed an excessive reliance on technological development. In this respect, technology, at least in conventional terms, is not the solution to all our problems and technology-hope may generate spaces of comfort that underplay the transformational shifts we are necessarily confronted with.

We cannot therefore decouple finance and technology discussions from real socio-economic policy challenges. Throwing money and technology innovation at problems that call for fundamental policy redirection may not help. The real transformational potential of the 2030 Agenda springs from the interlinkages across the SDGs and it often exposes that the SDGs pose a policy much more than a financial challenge. May we do not need trillions. We need leadership and policy courage.

III. FfD Pillars

III.A Domestic Public Finance

General Comments:

- Monitoring the tax per GDP ratio is important but not adequate, as it does not yet tell about the equity, effectiveness, or wider gender and inequality impacts of revenue mobilisation and expenditure policies. A comprehensive discussion on types of taxes on wealth and capital income should be included;
- Value-added taxes or reducing exemptions are still seen as some actors as easy ways of mobilising revenue, while it is important to conduct human rights and SDG impact analysis on such policies and their impact in increasing inequality, due to a disproportionate impact on people living in poverty and women in particular. Such indirect tax policies as well as exemptions

to businesses are often regressive in terms of increasing the tax burden on lower-income consumers proportionally more;

- We find that the revenue loss estimates due to corporate tax spillovers is important, and the estimate by the IMF should be higher. The 2015 paper presents a range of \$100 to \$300 bn, thus quoting \$200 bn as the IMF estimate would be more accurate. The paper should also cite additional civil society estimates by the Tax Justice Network using the same method, have found an even higher estimate of \$500 bn. UNCTAD has found that \$100 billion is lost due to tax avoidance via offshore tax havens;
- In this chapter, progress on tax information exchange from the perspective of developing countries should be discussed in terms of: (1) The global standard is administratively very demanding to implement, in particular for least developed countries. Recommendations to develop less demanding requirements for developing countries, including the option to be able to receive information on a non-reciprocal basis, was rejected by the OECD and G20 members; (2) Signing up to the global standard does not commit signatories to exchange information automatically with all other signatories – this depends on subsequent bilateral agreements. [Analysis](#) of the implementation shows that in particular developing countries are not likely to receive much information, because many developed countries have chosen to exchange information with each other, but not with developing countries;
- On public Beneficial Ownership registries, the recommendation by the OECD is inadequate as it doesn't give preference to public registries, but instead accepts all types of registries. Some countries, particularly in Europe, have gone beyond the basic international standard and pioneered the development of centralized, public beneficial ownership registries on some types of entities, and the IATF Report should encourage other countries to also embark on high quality public beneficial ownership registries in an open-data format.

Specific feedback and proposed additions to chapter headings:

- **2.1.2 (proposal) Tax Gap Analysis and Tax Expenditure Analysis in Developing Countries**

The reason for including this topic is to fulfil the capacity learning commitment in paragraph 10 concerning “tools to assess tax policy and administration capacity in our efforts to develop appropriate strategies to strengthen our tax systems” as mentioned above. The issue of tax evasion and other reasons for unpaid taxes are explored in the tax gap analysis, which is a vital policy tool for assessing tax administration effectiveness and policy implementation, meanwhile tax expenditure analysis is critical in order to understand the cost of tax incentives or tax holidays to the wider overall fiscal space and domestic resource mobilisation efforts. Many developing countries already engage in such analysis, and stakeholders periodically review both issues in national and international policy contexts;
- **2.2.1. (in addition) New UN Tax Committee and work programme**

It is important to further highlight the role of the lack of developing country representation in tax norm making, which is made at the OECD level currently, while the UN Tax Committee is an expert committee institution. In light of the paragraph stating “We encourage other relevant international financial institutions to continue periodic processes to examine their governance structures with the goal of strengthening the voice and participation of developing countries”, the IATF report should examine options that currently exist for improving the governance structures of the UN system in addressing issues related to international tax co-operation;

➤ **2.2.5. (proposal) Tax Spillover Analysis (international, regional and national contexts)**

- Tax Spillover Analysis constitutes an important pillar of ensuring that tax systems of one country do not contribute in a harmful way to the capacity or strategic choices of other countries in setting their tax rates or in how effective their tax systems are in collecting resources;
- IMF has led on the theoretical underpinnings of corporate tax-related spillover analysis, and in addition the European Union has created a toolkit on the subject, while Netherlands and Ireland have conducted national spillover analysis. However, it is inadequate in the absence of an internationally agreed methodology on spillover analysis that looks at both direct and indirect. Civil society and other stakeholders have substantially contributed to this field of analysis by looking at specific preferential and potentially harmful tax regimes in a number of countries, tax treaty abuse issues, as well as tax rate competition and its effect to the 'race to the bottom' phenomenon on corporate income tax rates;

➤ **2.4. (welcoming in particular) Gender and tax**

We welcome this focus and we would like to request that this looks at practices of tax system design that are either by design or by impact due to the unequal status of women in society in the labour market, consumption, unpaid domestic and care work identified as placing women in an unequal position. Discriminatory tax practices is a key issue, but so is the lack of recognition of the unpaid care work of different groups of population children and the elderly in the design of social care and social protection systems, that would substantially both improve gender equality as well as improve the potential for labour market participation. Disaggregated tax return data would be vital to decide at the FfD Forum to be developed for individual tax returns to better understand the differentiated impact of women and men as taxpayers. Asset and company ownership transparency (beneficial ownership transparency) is also vital to understand the distribution of assets between men and women (it would also assist efforts to clamp down tax evasion, aggressive tax avoidance and other tax related resource mobilisation issues).

➤ **2.6. (welcoming) Tax and health (non-communicable diseases)**

Tax and other domestic public resources are vital in financing health systems and in particular in achieving the goal of Universal Health Care. There are some important tax system design issues (such as vat rates for essential medication and women's sanitary pads), in designing tax systems so that they are progressive, equitable, transparent and effective in mobilising adequate revenue to meet the demands for financing UHC and other targets. In this context it's useful to recall the Abuja declaration on health financing, and indeed encourage similar commitments to be made and effectively monitored. It is vitally important to look at the health impact of certain goods and services, in particular tobacco, alcohol, polluting vehicles, and other contributors to air pollution in order to enable the fiscal system to price in the cost of adverse health impacts. In this context it's useful to remind of the work by the WHO on the subject of tobacco taxation, and the financing of UHC;

➤ **2.7. (proposed addition as priority for developing countries) Extractive Industry Taxation**

Developing countries are not yet transitioning towards a digital economy at the rate as developed countries are, and therefore it is necessary to also in addition to digital economy taxation that is a priority for OECD and EU countries in their tax design, to focus on the taxation of extractive industries in an important manner as these industries also tend to be the source of concerns over illicit financial flows, concerns over tax avoidance and evasion, as well as

corruption and poor governance. If managed in an appropriate manner, they may enable a transition towards a sustainable economy;

➤ **3.4. Update on data on IFF**

Despite there not being an agreed definition on illicit financial flows, it's critically important to improve the data collection on aspects of issues that have been discussed in relation to illicit financial flows by international institutions including:

- A unified definition of IFFs is lacking in the official sphere, but there are definitions by the UNECA and other UN regional agencies, as well as civil society, that reflect developing country priorities, whereas definitions that are limited to drugs and international organised crime may reflect more developed country priorities. Many argue that “illicit” doesn’t only mean “illegal” (if it was the same thing, it would probably have been named “illegal financial flows”, not “illicit financial flows”). Illicit also from a human rights and SDG impact analysis perspective should be wider than illegal, to include abusive behaviour that harms achieving human rights and SDGs;
- The role of UN regional commissions in estimating IFFs has been vital in advancing the debate, and more work needs to be done in working together with civil society, academia and UN regional agencies to advance measures of IFFs to feed into the monitoring of IFFs commitment in the AAAA;
- Bank of International Settlements (BIS) data on deposits holdings, including directional and geographic data, to better determine issues related to undeclared assets, and asset ownership as a tax base;
- IMF data on DOTS (direction of trade statistics) to look into reasons for discrepancies between export and import prices, to better determine the gross volumes of trade mispricing, trade mis-invoicing;
- FSB data on the shadow banking sector, as countries are increasingly exposed to undocumented transfers of assets, that may be a cause and concern for illicit financial flows;
- UNCTAD FDI data (especially improved reporting on issues related to ‘Special Purpose Vehicles’ and ‘Special Purpose Entities’ and their role in round-tripping FDI as a category of FDI to determine more accurately the impact of development efforts);
- National efforts for greater transparency of beneficial ownership to combat corruption, money-laundering and terrorist financing, and sanctions busting among other issues that may be related to the origin, transfer or use of illicit financial flows, with a possibility of international standards for ownership registries being elaborated at different entry points including company, trust, legal entity registration, financial institutions, non-financial institutions, shareholder registry ownership companies, etc.

III.B Domestic and international private business and finance

General Comments:

In the Addis Agenda, countries resolve to continue this work of aligning private business and finance with human rights standards and sustainable development principles remains the overall purpose and aim. In particular, aiming to better align business activities and investment decisions with the UN Guiding Principles (UNGPs) on Business and Human Rights, ILO standards, core human rights and

gender equality agreements, and sustainable development implementation channels. The IATF report should draw on the extensive expertise of the UN Human Rights Council special rapporteurs in analysing the human rights impact assessment of corporate activities on the realisation of human rights, and indeed the process towards mandatory disclosure of financial and non-financial reporting to support greater information on the impact of corporate activities.

In terms of incentivising, promoting an enabling environment for the private sector, we find that where policy instruments include a public concession, subsidy or benefit (including regulatory benefits) to incentivise investment, there should be a reciprocal demand from the private sector to be accountable to both the public sector and wider society in return for receiving a public benefit as a mandatory requirement. This applies to most policy instruments including, taxes and subsidies to change relative prices, regulations and standards to guide investment behaviour, and appropriately-designed risk-sharing instruments, including co-investments, public-private partnerships, and guarantees, depending on country priorities.

Certain incentive structures to the private sector have been found to be harmful towards the realisation of human rights and sustainable development principles, and should be reduced and done away all together. For instance, the World Bank's Doing Business indicator is not a suitable measure of a business enabling environment due to including low taxes and low wages, and we oppose its inclusion as an indicator in any monitoring of the AAAA. Additionally, a Business Enabling Environment should not be 'size-blind' where the same rules and norms apply to all businesses entities, as SMEs, co-operatives, social enterprises micro-enterprises and especially enterprises owned by women require different types of business enabling environments including legislation, regulation and support. We welcome an emphasis on SME financing in this section to differentiate international private finance and business from domestic resource mobilisation of private resources.

The industry-led Task Force on Climate-related Financial Disclosures (TCFD) developed recommendations for consistent, climate-related financial risk disclosures for use by companies in providing information to investors, lenders, governments, and other stakeholders. The findings should be part of assessing the quality of private investment in order to reduce impact of climate change on vulnerable populations and countries. Governments should seek to make such disclosures mandatory to have a better understanding of climate risk.

Specific feedback and proposed additions to chapter headings:

➤ **2. (Ensuring alignment with development impact of private business and finance) Trends in private finance**

- These trends should not only be monitored on the basis of quantitative flows of FDI, portfolio capital, private sector loans, guarantees, as indeed such flows can without understanding of their impact on the realisation on sustainable development and human rights frameworks even be harmful to the realisation of SDGs and international human rights agreements, including core ILO labour standards;
- In the category of 'publicly-backed private finance' we find that there are a number of safeguards (WB), performance standards (IFC), policies (DFIs, EIB), that ensure both transparency, due diligence on doing no harm, and some aspects of ensuring a positive impact of publicly-backed development finance. Despite standards (where they exist), there is inadequate impact monitoring in the private sector to understand if any positive impact is

reached, and inadequate accountability structures at international, regional or national levels to ensure that if stakeholders have grievances that they will ever be met under agreed frameworks – including UN business and human rights Guiding Principles, OECD MNE Guidelines, national, regional human rights bodies and courts, or government regulatory bodies;

- Where the public sector is financial or tax incentivising, or providing other regulatory or contractual concessions to the private sector (a category of ‘public private interfaces’) we also find that there is even less standards applied on robust transparency, accountability and impact assessment that is rigorously implemented to ensure a positive impact. These include blended financing, leveraged financing, challenge funds, public-private partnerships, and other vehicles where the public sector element is important without being a public body that is the investor or originator of financing;
- In commercial private financing, we see that only voluntary codes of conduct and policy commitments exist from the majority of transnational corporations, banks, asset managers, other financial institutions such as hedge funds and alternative investment funds to ensure their alignment with sustainable development principles and human rights frameworks;
- We also ask to monitor the scope for capital controls, as this has been discussed recently by the IMF by request of the G20, being a common practice in a number of developing countries;

➤ **3.3. (proposed) Businesses and the SDGs: risks and accountability**

- It is critically important in this section to have a balanced outlook between both ‘opportunities’ on one hand, as well as ‘risks’ on the other hand, as otherwise this section will treat risks to wider populations, the environment or stakeholder interests as ‘impediments’ that should be removed in order for the ‘opportunities’ to be realised. Key risks include natural resource governance and the risk that extractive industry investments put on local communities. Risks of land ownership disputes, land displacement and land-based violence are well recognised as human rights abuses, and should be monitored as key risks in the process of having a robust understanding of risks to human rights. An important component of risk assessment needs to take into consideration measures to protect, promote and guarantee the human rights of human rights defenders, especially women given the rise and the extent of their exposure. Risks also exist in the form of encouraging corruption, money laundering and tax abuse as components of IFFs to the macroeconomic performance of entire nations, and finally wider human rights due diligence is important;
- In the area of opportunities, it is critical to consider the continued contribution of SMEs, micro-enterprises, and co-operatives in terms of a positive contribution to local livelihoods, income generation to those often at the bottom of the income distribution of a nation in tackling inequalities. Business opportunity scanning should take a differentiated vision of impact of large multinationals and domestic enterprises;
- In the area of opportunities, green and renewable energy, sustainable and organic agriculture, sustainable production and consumption should be highlighted in particular in all dimensions of sustainable development (economic, social, environmental);

➤ **4.1.3. SME and Co-operative Financing**

A separate section to SME and co-operative financing should be included, to have a differentiated vision of the financing needs of enterprises that are of a different size, and ownerships structure that therefore have differentiated needs in terms of accessing capital;

➤ **4.2. (delete) Corporate incentives and trends in profit/investment ratio**

We do not see where the need for analysing corporate incentives arises in relation to sustainable development principles, and human rights analysis – it may be incentivising further tax incentives, regulatory incentives, and other potentially harmful investment promotion activities;

➤ **5. (add) Enhancing the sustainable development impact of businesses Voluntary actions and policy solutions**

This should also include ‘mandatory’ actions and policy solutions by governments, as otherwise the balance in the AAAA para 37/38 is lost where both mandatory and voluntary activities were proposed. For instance, in India companies are required to spend 2% of their profits on corporate responsibility activities, while in many countries monitoring the gender pay gap, supply chain transparency are being put forwards as mandatory issues.

Missing Section, to be added as new section in this chapter:

➤ **Update on public private partnerships (PPPs) according to mandate on para 48**

The 2017 IATF report highlighted how “controversial” PPPs are as a financing tool in the context of the Agenda 2030. Given the general enthusiasm with PPPs, this line of work should be followed through in the 2018 report. The experience with PPPs shows that very few have delivered results in the public interest. In many cases, PPPs are the most expensive financing option, and hardly cost-effective compared to good government procurement. They cost governments – and citizens – significantly more in the long run than if the projects had been directly financed with government borrowing. Hence, it is important to establish the circumstances required to make efficiency gains, and to recognize the longer term fiscal implications due to PPP-related ‘contingent liabilities’. Shifting public debt to government guaranteed debt does not really reduce government debt liabilities, but obscures accountability as it is taken ‘off-budget’ and no longer subject to parliamentary, let alone public scrutiny. This creates greater opportunities for poor decision-making and corrupt behaviour.

Despite claims to the contrary, PPPs are often riskier for governments than for the private companies involved, as the government may be required to step in to assume costs if things go wrong. However, PPPs are attractive because they can be hidden ‘off balance sheet’ so they do not show up in budget and government debt figures, giving the illusion of ‘free money’ – this must be tackled effectively.

Additional concerns are raised when analysing the results of PPPs for social services, e.g., for hospitals and schools, as they have much poorer records compared to some infrastructure projects. Given the evidence to date, PPPs are not the right tool for delivering public services – that entail a human right – such as health and education. The specificities of different sectors should be spelled out to expose the risks of promoting PPPs as a financing solution.

A change of approach is needed, especially to deliver with the spirit of Para 48 of the AAAA. The contract value and long-term implications of each project must be included in national accounts,

rather than being off-balance sheet. Full details of guarantees and contingent liabilities associated with PPPs, and the conditions that will trigger them, and all PPP-related documents should be publicly disclosed. These will allow citizens to have a clear understanding of the fiscal risks involved and will increase democratic accountability. The IATF 2017 report mentioned the relevance of PFRAM – which is a useful and welcomed tool. However, at the moment it works only at the project level (PPP contracts), and its use is voluntary. Much more has to be done at the pipeline level and even more crucially in terms of (a) guidelines for effective and responsible accounting for and reporting on PPPs, and (b) transparency requirements to prevent bad decisions arising from government efforts to mobilise additional resources through PPPs.

III.C International Development Cooperation

General Comments:

- The Report should unambiguously state that providing quality ODA remains an important international commitment and a complement to domestic resources by Partner countries, which retain the leadership on the national programmes to realise the SDGs' goal to leave no one behind. There is a need for an greater international public finance in line with the agreed international commitments, not only in addressing crises natural or human made;
- International public finance should be aligned with human rights frameworks, national priorities and effectiveness development principles, including transparency and mutual accountability. We welcome also the accountability mechanisms by human rights monitoring bodies that recognise the “extraterritorial obligation to provide international assistance and cooperation and to contribute to the fulfilment of economic and social rights beyond their borders.”¹ The alignment of monitoring and follow-up of international development co-operation is important in terms of the 2030 Agenda; with regard to the principle of ‘leave no-one behind’, different UN agencies should comment on the best practices on use of ODA on a continuous basis for fulfilment of their mandates;
- ODA reporting by donor countries should be sufficiently disaggregated so as to understand, for instance, if any increases in ODA would be largely due to larger shares of spending on in-donor costs (spending in the donor country that never reaches developing partner countries), particularly on refugee costs in developed countries; the Report should then:
 - Analyse ODA statistics with and without in-donor costs for refugee related issues;
 - Analyse ODA to MICs, in relation with their circumstance regarding less concessional finance: the report could note the varied and diverse situations and needs of MICs with many of which struggling to access finance (concessional or non-concessional). Several actors have noted and are looking at ways to address this including reassessing graduation policies or specific instruments to target more vulnerable MICs such as small island states;
- The Report should provide a clear picture of the donor countries' record in realising the targets that they committed to over half a century ago; more action is urgently needed to scale up ODA to meet the 0.7% commitment:
 - The IATF Report should look at the number of DAC countries who met the target and ODA from, and report the average ODA of GNI in 2017;

¹ <http://www.ohchr.org/Documents/Publications/WhoWillBeAccountable.pdf>

- Reversing the trend of ODA to LDCs – some progress which is welcome, but donors must ensure future spending meets commitments to deliver on this action. The IATF report should update the number of countries met the target in 2017 – with the number of countries that exceed the 0.2% upper target;
 - Financing for other vulnerable countries, including for example small island states, and other categories of vulnerable states remains challenging;
- The Report should also address the need for actual plans to secure that the international commitments are properly fulfilled, including by setting out milestones that clarify when and how they will increase their ODA contributions steadily over time:
- 0.7% – Providers need to transparently outline how they are going to meet these targets and their commitments. The Report could usefully highlight which donors are on track and have increased their efforts, and which providers lag behind and lack action;
 - LDCs – Donors should also continuously increase ODA to LDCs to meet the UN targets of 0.15-0.2% / GNI and in the long run ensure half of their total ODA is dedicated to LDCs. A call to ensure that forward spending plans in LDCs become a reality is needed – a further step could be to call for clear commitment from providers to do this and to assess the quality of this ODA. Noting the gap to meeting the agreed target of 0.15% of GNI from the current level of 0.09% would help to emphasise the need for urgent action and the scale of the challenge remaining;
- Lending by multilateral development banks: as MDBs broaden their lending portfolio to more vulnerable and fragile regions, it is key to develop additional safeguards to protect countries from facing a debt crisis, and to take more cautious choices especially in the areas of lending for social services (Global Financing Facility for Women and Children’s Health; potential development bank for education);
- We hope that the report touches on areas to ensure better coherence between humanitarian and development finance, and to keep development finance separate from humanitarian aid and in-donor costs such as refugee costs. Current data show alarming trends for ODA – in some cases, due to strongly increased spending on in-donor refugee costs, donors became the biggest recipients of their own aid budgets;
- The IATF report could note the struggle of many MICs to assess affordable financing, and the challenge they often face due to the shift to non-concessional lending. MICs accommodate a great number of the world’s poorest people, and in keeping with the Leave No One Behind principle of the Agenda 2030, it is key to ensure countries have affordable and concessional finance available to continue strengthening their social sectors and development;
- On development effectiveness – the section should recognise that success in this area is important politically and practically, but understanding and acknowledging the challenges is crucial for further progress:
- The IATF report should refer to the deliberations of the Global Partnership for Effective Development Cooperation which call on those countries that endorsed the Paris and Accra agreements to develop time bound action plans to fulfil their unfinished business;
 - The Report should also highlight trends that may undermine the ownership of development processes by Partner Countries such as in the case of migration/development nexus implemented by key donors such as the EU, which may bring about new negative and

positive conditionalities which undermine the political space of Partners. Similarly, engaging with security actors may be in conflict with the effectiveness principles, including a focus on development results;

- The humanitarian finance section could include calls to improve the transparency and effectiveness of humanitarian aid in line with WHS 2016 commitments;
- The Report should touch on the importance of well-defined national development strategies especially in the area of the responsibility of providers' of development assistance (and relative failure to date) to align with these strategies as well as supporting their development;
- The report should examine recent evidence on the levels of aid that are tied, both formally and informally, and should analyse further steps that can be taken to expedite an end to all tied aid (we can provide further references on this if helpful).
- On policy coherence, it is important to outline those areas where the international community is failing to make progress and why.

Specific feedback and proposed additions to chapter headings:

➤ **4. Catalytic aid and blended finance**

- This section should **consider all catalysing effects of ODA**, including the potential for ODA to mobilise domestic public resources or additional international public finance, as well as mobilising private finance;
- To give a balanced view, the report should consider not only the potential benefits of using international public finance for blending, but also the **opportunity costs**, particularly in the context of the SDGs' commitment to leave no one behind;
- Moreover, the report should consider **potential unintended consequences** of blended finance, and the steps that are needed to mitigate these. Such consequences may include coherence issues (such as the risk that blended finance will contribute to unsustainable debt burdens or be channelled through tax havens); human rights risks (whether through harmful acts, or through omissions that mean project benefits do not reach the most marginalised); and environmental dangers. Further documentation of such issues in past blended finance projects can be provided on request;
- The strength of existing evidence on the **additionality of blended finance** (both development additionality and financial additionality) should be an important focus for the report. This should take into account the methodological problems in using leverage ratios as a measure of financial additionality (we can provide further detail on this point if helpful). The analysis should also consider evidence from recent evaluations such as the [2016 evaluation of the European Commission's blending projects](#), which found that in almost half of the cases examined, there was no clear reason articulated for the use of blending, and that projects had not placed a strong enough emphasis on poverty reduction nor on gender;
- It is important to emphasise the recognition that the **development effectiveness principles** being critical to effective blended finance – greater clarity on next, practical steps would be useful and in particular how the work of developing this will be taken forward (noting the

work of the donor community in the DAC). The GPEDC and UNDCF would be natural homes for this. Key development effectiveness issues include:

1. Ownership.

- In practice, governance structures in blended finance projects and in the development finance institutions that implement them, limit the space for governments and citizens in the global south to ensure that blending is aligned with their own priorities. Blending is sometimes associated with the implementation of parallel systems, rather than the use of the systems of countries in the global south, contrary to the Busan partnership principles paragraph 19 and AAAA paragraph 58. This issue has been highlighted in the European Commission evaluation referenced above, as well as in civil society analyses that we can forward on request. What is more, certain forthcoming blended finance programmes such as the [European External Investment Plan](#) place a strong emphasis on policy advice as a complement blended finance. There is a risk that such policy advice will be driven by the presumption that countries must create an enabling environment favourable to blending, even where this is not the priority of citizens in the global south.
- There is also a significant risk that blended finance – due to its sheer complexity – could be used to conceal formal or informal tying of aid, jeopardising progress against the Busan partnership principles (18e) and the AAAA (para 58).

2. Transparency and accountability. The report should look in depth at the need for better data on blended finance.

- The IATF report should report on the most recent developments on the discussions on transparency for blended finance have started in the DCF. The UN, with relevant fora such as the FFD forum or the DCF, provides the best place for these discussions and developing joint guidelines;
- The work of the OECD DAC to develop standards and guidelines can be noted in the report, but a more inclusive and legitimate forum, where developing countries (and development actors in those countries) have a stronger voice, should be considered as an alternative or additionally.

➤ **6. (addition) Innovative Financing update**

There is no section here on innovative financing that is an issue mentioned in AAAA, including the Financial Transaction Tax, Carbon Taxation, and other global taxes and innovative sources of development financing.

III.D International trade as an engine for development

General Comments:

- International trade should be discussed in the context of how trade fulfils human rights agreements, and sustainable development principles, goals and indicators rather than assuming that the link exists without careful impact analysis and further research. Especially we welcome the work of UN Women in this regard in advancing the gender analysis of trade and investment treaties, while the intersection between **trade and human rights** needs highlighting. Previously civil society called on governments to undertake human rights impact and sustainability assessments of all trade agreements to ensure that they are aligned with the national and

extraterritorial obligations of governments; and additionally ensuring the 'leave no-one behind' commitment is respect in terms of the 2030 Agenda;

- Strengthening the multilateral trade system should be mentioned, however the imminent threat to the multilateral trading system posed by the proliferation of Bilateral Investment Treaties (BITs) and regional Free Trade Agreements (FTAs) has been increasing. The various ways in which the **policy space** afforded by multilateral trade is undermined or undercut by BITs and FTAs should be recognized. This includes the tightening of intellectual property rights which constrain access to affordable and urgent medicines, greater restrictions in investment and competition policy which constrain the ability of developing countries to industrialize, diversify and boost productive capacity and the Investor-State Dispute Settlement (ISDS) system which imposes a chilling effect on public regulations to protect the most vulnerable communities, public health and equity, the environment, wage policies and macro-prudential policies;
- As such the key issue of **policy coherence** between trade and the prospect of attaining the SDGs/Agenda 2030 should be critically addressed. If a key objective of FfD is to also serve as the means of implementation for the SDGs, the need to regulate for the public interest as well as the importance of the link between trade and equity gains, needs to be drawn out in the FfD follow-up process. A working group process could potentially support this discussion within the General Assembly;
- Sufficient account should be taken of the serious and urgent consequences of the resurgence of **trade protectionism** in the United States, primarily, as well as other developed countries. The impacts on developing countries are potentially severe, and are in addition to the high costs developing countries have already paid in decreased tariff revenues, lost employment and livelihoods and stagnated economic and sectoral diversification, among others;
- While improving market access conditions for the exports of LDCs, LLDCs and SIDS is often recognised in international documents, the reality is that much employment in LDCs is confined to **low value-added niches within global value chains** which constrains skills transfers and technology spill-overs, and involves power imbalances in supply chains between corporations and SMEs which are unfair to small producers and workers. Recent increases in exports from developing countries have been driven by rising commodity prices, which are now in decline and subject to continued volatility largely as a result of financial deregulation. The gendered impacts of asymmetrical trade liberalisation are also important, including privatization that makes public services such as water and healthcare less accessible, thereby increasing women's burden of unpaid care work;
- Important **performance requirement tools** have been prohibited through legally binding FTAs, BITs and the Agreement on Trade Related Investment Measures (TRIM) in the WTO. The ability of states to manage foreign investment for national development objectives through performance requirement tools is crucial for several key reasons. They include to promote domestic manufacturing capabilities in high-value added sectors or technology-intensive sectors, stimulate the transfer or indigenous development of technology, promote SMEs and their contribution to employment creation, advance environment-friendly methods and products that contribute to sustainable development, support purchases from disadvantaged regions in order to reduce regional disparities, and increase export capacity in cases where current account deficits would cause reductions in imports;

- FTAs and BITs also extend **pre-establishment rights** to investors, guaranteeing the right to establish, acquire and expand investments with the same treatment accorded to domestic investors (e.g. national treatment obligations). Some investment treaties also include employment clauses that guarantee foreign investors the right to employ staff of the nationality of its choice without interference from the host state. Such investor rights upheld by trade and investment agreements constrain development prospects for developing countries. These go against human rights principles in terms of equality and non-discrimination, and should not be included to give advantage for investors over local communities and national policy goals in terms of the impact of investment activities.

III.E Debt and debt sustainability

General Comments:

- There should be a strong emphasis on information at all on the work done by the UN Human Rights Council and the Independent Expert (a Summary of which can be found here). In particular important would be to flag the country assessments and the preparatory work for human rights impact assessments (of debt restructurings, adjustment programs, even of paying to vulture funds), as suggested in the report to the General Assembly. The IATF report should make the links and assess the impact of debt distress on the realisation of human rights and sustainable development outcomes (AAAA 98);
- This IATF report should describe what international organizations and states are doing. It should be emphasized that CSOs are also doing their part as stakeholders: for example conducting independent debt audits, or encouraging governments to audit debts along responsible lending and borrowing principles. This is particularly important as there is no assessment on how governments increase transparency in debt management (AAAA 96). The main work in this regard has been done by the citizen debt audits;

Specific feedback and proposed additions to chapter headings:

➤ **2. Debt trends**

- Generally: this chapter should include a “coherence test”. What are the debt implications of implementing AAAA agreements from outside the debt chapter that have very obvious debt implications (e.g. official loans, private loans, leveraging, blending, PPPs, etc.);
- Analysis of private debt trends (private borrowers, corporations, financial sector etc) in order to assess risks coming from the private sector;
- Debt trends should cover countries in special situations, for instance finding an urgent solution to SIDS debt crises (AAAA 93), to countries recently affected by natural disasters such as caribbean states struck by hurricanes, and other natural disasters. One should at least mention that ideas for a regional debt relief initiative have been developed by CEPAL, UND, World Bank. Then stress that not much else happened;
- The chapter on debt trends should also cover the debt-to-revenue ratios, as this is the one that measures what the opportunity costs of debt service are, how much money goes missing for public and development spending. Research done by the Jubilee Debt Campaigns of Germany and the UK indicates that there has been a dramatic rise in recent years, further exacerbated by a fall in fiscal revenue in the case of commodity exporting nations (not

captured in debt to GDP ratios, which seem to assume that fiscal space and resource mobilisation is fixed – which is an incorrect assumption);

- Analysis of contingent liabilities, including from PPP as separate category;
- What proportion of debt has passed due diligence requirements, and been given in good faith (i.e. compliance with responsible lending and borrowing principles);

➤ **4. Debt crisis prevention**

- Vulture funds: There is a new law in France, which should be mentioned. Even more important would probably be to flag that there are about 190 UN Member States in which there is no law yet;
- 4.2. Update on LIC DSF reform: This update should also assess to what extent the new DSF can inform decision-making of governments that want to reach internationally agreed development goals and comply with UN human rights treaties, i.e. can it help to define the “trigger” moment for a debt restructuring?
- 4.3. Transparency of debt reporting: This should include a “rating” of different creditors: who is how transparent?

➤ **5. Resolving unsustainable debt situations**

- Debt sustainability is a critical issue (AAAA 94). Many of these new “trillions” that are expected to be mobilized are debt-creating flows and drive ‘beneficiary’ countries’ debt ratios to new highs. The report should look at the inherent conflict between these actions and debt sustainability.
- 5.1. Measures for countries affected by severe natural disasters and social or economic shocks: A box in this chapter could explore the design of a debt relief initiative for heavily indebted countries affected by natural disasters. Otherwise, an assessment of progress in using state-contingent instruments that allow for automatic stays, debt re-profilings or restructurings in case of a disaster or shock is needed. This assessment must include official creditors’ debt instruments to be useful;
- Generally, chapter 5 must include an assessment on how to move forward implementing Monterrey Consensus para 60 (international debt workout mechanism in an appropriate forum), which is also reflected in AAAA 98-100;
- Para 100 of the AAAA reads that we “encourage all Governments to take action ... against non-cooperative minority bondholders”. The state of progress needs to be part of the IATF report;

➤ **BOX: State-contingent debt instruments/ innovative instruments**

Adding another box depicting recent country cases of debt distress, and their causes, would make this chapter complete and informative: We would suggest Gambia (loans to the dictatorial regime of Yahya Jammeh), Chad (and the role of Glencore), Mozambique (and the role of Credit Suisse and VTB).

Proposed further research and data concerning this section:

- Given the obvious difficulties to prevent debt crises and/or resolve them in a fair, speedy and efficient manner, the IATF report could explore the value of a Debt Workout Institution, and the mandate and functions of such an institution;
- Sovereign debt restructuring frameworks: An assessment on how the new UN principles impacted would be useful, and a conclusion describing how to increase impact.

III.F Addressing systemic issues

General Comments:

- **Policy coherence** between international and national financial and trade policies and sustainable development is not just an ideal objective, but rather a necessary and non-negotiable pre-condition to the achievement of Agenda 2030. Reaffirming the primacy of human rights and environmental protection over finance, trade and monetary rules and policies, and coherence, is greatly needed. SDG principles help to anchor these areas of environmental, social and economic spheres of responsibility. The national and extraterritorial obligations of governments, which is mentioned in the Monterrey Consensus, should be highlighted with specificity to how macroeconomic and trade policies in one country can affect another country through negative cross-border spill-overs.
- **Financial regulation** has not been implemented in a sufficient manner to address the social and economic damage wrought by the global financial crisis and economic recession of 2007-2010, let alone to prevent future global financial crises. The process of financialization marches onward and is creating greater global inequality, instability and diverting finance from sustainable and equitable development sectors. Calls for restructuring the very foundations of the international financial and monetary system, including those made in the UN World Conference on the Financial and Economic Crisis, have gone unheeded. If another crisis were to strike today, the world would be just as unprepared as it was in 2008 to reduce its costs and ensure that these costs are borne by those that with their reckless and greedy behaviour caused it;
- The concrete links between financialization and structural inequality also need to be examined in more detail and substance. Increasing inequality is not just a social problem but also a macroeconomic problem;
- Governance reform in the International Financial Institutions is still neglected, and developing countries votes and voices are still weighted in an imbalanced manner. The extension of the use of double majority voting at the IMF – requiring relevant majorities of both votes and countries for all decisions – would be a simple but effective way of giving developing countries a fair voice. At the same time, we reiterate our support for the emergence of new development finance institutions that can represent a better alternative to the paradigm of finance the Bretton Woods Institutions currently represent;
- While the critical need for capital account management measures and greater international macroeconomic coordination between capital flow source and destination countries is mentioned to address large and volatile capital flows, the key obstacle to capital account management posed by FTAs and BITs is not mentioned adequately. The clause within trade and

investment agreements that prohibit any regulation to the free movement of capital is the key barrier to regulation;

- Policy responses to balance of payments shocks must avoid austerity measures and policy conditions, including hiking interest rates, using reserves and borrowing from the IMF to maintain an open capital account and stay current on debt payments to foreign creditors and socializing private liabilities. Policy responses should instead seek to bail in international creditors and investors by introducing, inter alia, exchange restrictions and temporary debt standstills and use selective import controls to safeguard economic activity and employment. MDBs should support these development policies through provision of adequate international liquidity without deflationary conditionality and protection against creditor litigation.

III.G Science, technology, innovation and capacity-building

General Comments:

- There is an urgent need to recognise diverse sources of knowledge and broad STI framework. The sparse accomplishment of the Addis Agenda in the STI area could be attributed to the very narrow underlying framework for STI approaches, as pointed out by the CSO FfD Group at the outset when the Addis Agenda was adopted in 2015. It is very clear in the STI section of the Addis Agenda that formal knowledge, technology and innovation are the kind of STI envisioned to be supported by FfD. The IATF Report, should make references to cases, examples or programs on how traditional knowledge, technology and innovation have been incentivized, supported and facilitated. There are also interfaces between traditional and formal spheres of technology, such as 'social technology' and 'social innovation' that can build bridges. Many forms of indigenous knowledge also survive in more formalised spheres of technology, especially in preserving food sovereignty, and nutrition, through traditional labelling and traditional origin marks, that include the safeguarding of traditional production and technological methods – such systems require greater recognition. Its reference to organic farming by smallholder farmers as an example of "social innovations" implemented in several countries is reveals how the Addis Agenda's STI framework regard community-based technology and innovation.
- On setting up Innovation Funds, one basis could be the 2015 UNESCO Report which covers innovation funds and similar mechanisms that were established or planned many years prior to the adoption of the Addis Agenda in July 2015 and its affirmation by the UNGA in September 2015. The FfD should adopt the 2015 UNESCO Report as a baseline for assessing the progress of implementation of the Addis Agenda on setting up of innovation funds, starting in 2016 which the current IATF Report should have covered. Innovation funds at the global, regional and national levels that were established to deliver the commitment in para. 118 of the Addis Agenda should have been presented instead of re-labelling what are already existing. The lessons from existing innovation funds, however, would be very useful in informing decisions on development and establishment of new innovation funds to deliver the Addis Agenda;
- On the nature of Innovation Funds: Global, regional and global innovation funds should be inclusive and should support diverse sources of knowledge, not just those coming from the formal system and not just for entrepreneurial ends. Financing for Development, after all, should primarily benefit people and communities, their human rights and SDG principles, as para 117 of the Addis Agenda explicitly recognizes the important contribution of traditional and indigenous

knowledge systems and innovations and the importance of participation of and partnership with communities and civil society for the achievement of the SDGs. Traditional innovations that contribute to the wellbeing of communities, address inequities and empower people should equally be incentivised and access innovation funds;

- On Capacity Building: The Report should be able to offer some analysis on the reason behind the recent decline on international technical assistance and funding for capacity building for African countries, LDCs, LLDCs and SIDS. Examples of ODA on capacity building should be given, ideally comparing those that are in place before the Addis Agenda was adopted and those that were put in place since 2016 in order to track progress in the quality of capacity building initiatives at the global level, not just on the level of financial disbursement for capacity building from ODA;
- On South-South cooperation: There is no mention at all of global programs that support and enable South-South cooperation among middle- and lower-income developing countries, pointing to an observation that South-South cooperation is expected to be an initiative among developing countries that does not require an enabling framework - which does not seem correct. While there is increasing South-South cooperation in STI albeit continues to be relatively small, these are mainly led by major developing countries such as China, India, South Africa and Brazil that are producing technologies and innovation that are transferred or shared with smaller developing countries often within the same region, these involve the Brazilian telecentres (in portuguese speaking Africa, as examples of 'social innovation' or 'social technology' which are rapidly expanding communities of practice in Brazil). There is a need for the FfD to address the need for a global framework to enable, facilitate and support South-South cooperation;
- On funding for the Technology Facilitation Mechanism (TFM): The Report should present the accomplishments of the TFM since its establishment in 2016 as mandated by the Addis Agenda, enumerating its contributions in providing a global platform for sharing of experiences, lessons and actual STI for SDGs particularly through the annual multistakeholder STI Forum and the soon-to-be-established Global Online Platform. It should additionally look at financing TFM, to realise its mandate in ensuring the STI works for the achievement of the SDGs and the 2030 Agenda for Sustainable Development. TFM does not have any specific funding allocation and no donor country contributes to the operationalization of its components, and merely supported by the regular funding of UN DESA for the implementation of the 2030 Agenda. The Report should call for allocation of financing for the fulfilment of the TFM's mandate.

IV. Data, monitoring and follow-up

- Where referring to the lack of statistics on disabilities, the Report can suggest that, for the purposes of SDG data disaggregation by disability, the short set of questions developed by the Washington Group on Disability Statistics can be used as a methodology at low cost;
- Also the visibility of gender dimension of development is often lacking in the sphere of financing for development, and we expect that commitments would be made by starting mandatory data collection processes on tax returns, ownerships records, household surveys – complemented by survey methods and comparative data analysis to make gender dynamics visible in financing for development. In particular, ensuring that tax returns monitor gender would make especially

women's role as income and other direct tax payers more visible – a data point that has been overlooked so far;

- At present while the OECD DAC Creditor Reporting System allows allocations for gender equality to be tracked, there is little data on resource allocations for other marginalized groups, such as persons with disabilities. A number of individual donors are starting to introduce disability policy makers to their own internal reporting systems (for example the UK Department for International Development), and the Task Force should recommend that the international community review lessons from this experience with a view to tracking more comprehensively ODA allocations for persons with disabilities and others who have been left behind.