Civil Society Financing for Development (FfD) Mechanism's Position Paper for the High-Level Political Forum 2024

This document has been collectively developed by the Civil Society Financing for Development (FfD) Mechanism, a very broad platform of civil society organizations, networks and federations from around the world, that followed closely the Financing for Development process since its origins, facilitated civil society's contribution to the Third International Conference on FfD, and continues to provide a facilitation mechanism for the collective expression of civil society in the FfD Follow-up process. The Civil Society FfD Mechanism is one of the constituencies of the Major Groups and other Stakeholders Coordination Mechanism. More information can be found on the Civil Society FfD Mechanism's website: https://csoforffd.org/about/

We welcome the decision by the UN General Assembly to convene the Fourth International Conference on Financing for Development (FfD4) in 2025. The 2024 HLPF theme on *"Reinforcing the 2030 Agenda and eradicating poverty in times of multiple crises"* cannot be achieved without an ambitious preparatory process and outcome from the 4^{th} FfD conference in 2025.

This is particularly urgent in the context of the recent UNCTAD Trade and Development Report warning that the global economy is stalling and the prospect of meeting the SDGs by 2030 is fading as a combination of rising interest rates, weakening currencies, slowing export growth and mounting debt burdens squeezing the fiscal space for governments.

Against these challenging circumstances, we continue to stress the need for an ambitious, multilateral response under the auspices, leadership, and coordination of the United Nations. The Financing for Development process, which is the only inclusive decision-making space where developing countries are at the table with an equal voice and vote on global economic governance matters, needs to respond decisively and unambiguously.

We call on UN member states to work towards the following concrete commitments:

1. **Establish a multilateral legal framework under the auspices of the UN that would comprehensively address unsustainable and illegitimate debt, including through extensive debt cancellation**: UNCTAD has noted that interrelated and global crises, including the pandemic and climate change- related events, have led to an increase in total government debt (internal and external) in developing countries, from 58 to 65 per cent of GDP in 2019–2021. At least 108 developing countries have experienced higher levels of debt following the pandemic, with 3.3 billion people living in countries that spend more on interest payments than on education or health as of 2023. The risk of debt crisis is being faced by middle income countries too, aside from low-income countries. As such, mechanisms, processes, and commitments towards debt reduction must also include solutions for middle income countries taking into account peculiarities in their debt situation. Vital public financial resources are being allocated today to external debt repayments at the expense of domestic health, social, economic financing, and climate resilient needs. It is evident that current adhoc international initiatives to address the debt resolution are insufficient and existing debt sustainability assessments inadequate, as they disregard human rights, gender equality or climate investment needs. The United Nations, with the core mandate to address critical global issues, and the fact that it is neither debtor

nor creditor itself, is the only inclusive multilateral and democratic space that has the legitimacy and competence to discuss and agree a multilateral legal framework to prevent and address sovereign debt crises.

2. **Agree on a UN Framework Convention on International Tax Cooperation to comprehensively address tax havens, tax abuse by multinational corporations and other illicit financial flows**: We welcome the historic vote of the Africa Group's UNGA Second Committee proposal in November 2023, and the UNGA decision to start intergovernmental negotiations towards a UN Framework Convention on International Tax Cooperation. This becomes even more urgent considering the nature and size of the digital economy and the increasing importance of e-commerce. UN DESA's 2022 World Economic Situation and Prospects (WESP) report noted that the tax deal of the OECD Inclusive Framework will only benefit a small number of developed countries and that developing countries stand to lose out. Unless the failures of the international tax system are urgently addressed, countries around the world will continue to lose billions of public revenue dollars. This will increase the already unsustainable debt levels, worsen income and wealth inequality and undermine governments' abilities to respond to the crisis, while also decreasing the public revenue base of developing countries. We therefore call all member states to support and engage in the upcoming UN process to deliver a UN Framework Convention on International Tax Cooperation.

3. **Agree on terminating Investor-State-Dispute-Settlement (ISDS) mechanisms**: UN member states should elaborate a multilateral agreement for a coordinated and permanent termination of InvestorState Dispute Settlement (ISDS) mechanisms that has empowered transnational corporations to sue governments in confidential tribunals on a range of issues including debt, tax and increasingly climate action. The 2022 IPCC report also flagged that ISDS risks blocking the phase out of fossil fuels.

4. **Regulate credit rating agencies (CRAs):** United Nations should lead on further supervision and regulation of credit rating agencies (CRAs) by convening a universal, intergovernmental commission under ECOSOC with a mandate to examine needed international institutional innovations, including in the UN, required to correct and avert the adverse impacts of CRAs on international finance. In addition to looking at the adequacy of CRAs rating methodologies and possible bias in its implementation that undermine developing countries' access to capital markets, CRA regulation would also need to focus on issues such as conflicts of interest, promoting competition to avoid quasi-monopolistic market dynamics, and tackling excessive reliance of investors on ratings. Such a commission should also further study proposals such as establishing an international public credit rating agency at the UN. CS FfD Mechanism's submission on CRAs can be accessed here.

5. **Review development outcomes of public-private-partnerships, blended finance and other financing mechanisms established to promote a 'private finance first' approach to infrastructure and public services**. The COVID-19 pandemic provided a stark reminder of the importance of universal, timely, affordable, gender-responsive, high quality and accessible public services, as well as sustainable infrastructure. The inadequacy of development models that prioritize private profit and financialization to fulfil public needs, goes against human rights and enables excessive profiteering out of humanitarian emergencies and disasters has been fully exposed. The FfD Forum should be the place to instead reaffirm the centrality of public investments to provide public goods and services.

6. **Accelerate the implementation of the official development assistance (ODA) commitments to fulfil and exceed the 0.7% target for ODA in the form of unconditional grants**. As the ambitions of Agenda 2030 are further away, it is vital to make sure that the long-standing commitments to delivering international development assistance, including ensuring quality and effectiveness, are

realized and to secure commitments to make up for more than 50 years of broken commitments, in addition to future targets for ODA flows. Donors should not divert ODA from addressing standing challenges and should rather mobilize additional resources to cope with new threats to sustainable development, including those originating from pandemics or global geopolitical crisis. Concessional finance plays a key role in supporting countries in the Global South on their way back from the multiple and interconnected crises without incurring in additional debt burden and without being tied to any conditionality. Broader vulnerability indicators must be considered beyond the per capita income in order to include middle income countries in development financing programs. Donors should not report as ODA any item that serves to inflate the aid actually provided, including the COVID- 19 excess vaccine doses donations, so as not to reward unfair practices that led to massive vaccine appropriation by rich countries in the first place.

7. **Assess systemic risks posed by unregulated or inadequately regulated financial sector instruments and actors:** Past financial crises not only represented a massive failure in macroeconomic and financial regulation but also exposed the significant vacuum in governance over financial actors, particularly non-banking actors. Yet, the asset management industry has grown exponentially since the last crisis, now featuring a higher degree of interconnections between financial institutions and generating an even higher systemic risk. It is therefore essential for UN Member States to assess the current financial "non-system" and undertake decisive steps towards financial regulation, including regulation and supervision of Credit Rating Agencies (see above), a global regulatory framework for the asset management industry and a global agreement on the importance of capital account management.

8. **Establish global technology assessment mechanism at the UN:** As the UN, governments and institutions grapple with the governance of digital technologies, including digital finance technologies, there is an urgent need for broad, transparent, inclusive, accessible, and participatory deliberations on the current and potential impacts of these technologies on the environment, the labour market, tax policy, livelihoods and society. The global COVID-19 pandemic exposed the extent and further exacerbated the digital divide – the ever-widening gap in access to digital technology and infrastructures between the North and South, between men and women across the world, and between urban and rural communities within countries. There remains a huge vacuum in Member State-led governance of digital technologies that needs to be addressed with a sense of urgency to assert the mandate of inclusive multilateral institutions over corporate interests and to protect human rights. Governance of digitalization is key in curbing the widening digital divide and contribute towards the vision of the 2030 Agenda for Sustainable Development to Leave No One Behind.

9. **Ensure fiscal space and scale up international cooperation for decent jobs creation and universal social protection in line with SDGs and ILO standards**: National and international support for investments in sectors with the greatest potential for creating more and better jobs (such as climate transition in energy, infrastructure, transport, heavy industry, agriculture, and construction, along with care and digital services) are essential to fix the broken labour market. Investments in care, capacity building and training, creating millions of new decent jobs, also offer the opportunity to formalize current informal care jobs and to support women to participate in other areas of the economy. Moreover, the global pandemic illustrates more drastically than ever before the importance of ensuring adequate fiscal space to support the extension of social protection systems to ensure universal coverage through social protection floors, in line with ILO standards. We stress the need for access to essential health care for all and income security and to maintain these services even in times of crisis.