CIVIL SOCIETY FINANCING FOR
DEVELOPMENT MECHANISM

Civil Society Financing for Development (FfD) Mechanism's Position Paper for the HLPF 2023

This document has been collectively developed by the Civil Society Financing for Development (FfD) Mechanism (including the Women's Working on FfD), 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. 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/

The need for an ambitious, multilateral response under the auspices, leadership and coordination of the United Nations has never been more urgent. 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.

This is particularly urgent given the current conjuncture in which policy-directed high interest rates may worsen contractionary tendencies causing a global economic slowdown and possibly an outright recession, exacerbating socio-economic challenges of developing countries, often complicated by conditions of commodity dependence. At the same time, the world's governments need to better address global public goods challenges, in particular, by investing adequately to mitigate and adapt to global warming and pandemics, including that of COVID-19.

We call on UN member states to address the following systemic issues to address the broken global economic architecture:

1. **Organise the next International Conference on Financing for Development in 2025**: We welcome the adoption of the UNGA Second Committee resolution on Financing for Development in 2022 with the agreement to 'consider convening, in 2025, a fourth international conference on financing for development'. We call on all Member States to adopt strong modalities for preparatory member-state led, intergovernmental negotiation rounds that are transparent and inclusive, allowing full and effective participation of civil society.

2. **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. 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 ad-hoc 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;

3. **Agree on a UN Tax Convention to comprehensively address tax havens, tax abuse by multinational corporations and other illicit financial flows**: We welcome the approval by consensus of the Africa Group's UNGA Second Committee proposal in November 2022 to begin intergovernmental negotiations to strengthen inclusive and effective tax cooperation at the United Nations. 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. Both the Africa Group of the United Nations and the FACTI High-level Panel have called for the negotiation of a United Nations Tax Convention, and the Group of 77 have consistently called for intergovernmental tax negotiations to be established under the United Nations. 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;

4. **Agree on terminating Investor-State-Dispute-Settlement (ISDS) mechanisms**: UN member states should elaborate a multilateral agreement for a coordinated and permanent termination of Investor-State 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.

5. **Regulation of credit rating agencies (CRAs)**: United Nations should lead on further supervision and regulation of credit rating agencies (CRAs) by convening a universal, intergovernmental commission 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 Group's submission on CRAs can be accessed here: https://csoforffd.org/2020/12/03/submission-on-credit-rating-agencies/

6. **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 has 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 financialisation 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.

7. **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 realised 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.

8. **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.

9. **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 has 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 digitalisation 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.

10. **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 formalise 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.