Civil Society FfD Group’s Statement to the 2018 ECOSOC FfD Follow-up Forum

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, including the Women’s Working Group on FfD. The Group followed closely the FfD 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. While the group is diverse, and positions might differ on specific issues, this document expresses the elements of common concern. For more information, please visit the Civil Society FfD Group’s website.

We, participating organizations, networks and movements of the Civil Society FfD Group, welcome the third edition FfD Follow-up Forum. We continue to believe that this process can and must play a pivotal role in removing many of the structural barriers to the socio-economic transformation and advancing systemic reforms of global economic frameworks to realign them with the imperatives of human rights, gender justice, people-centeredness and sustainable development. We also believe that FfD process is critical to unlock the necessary means of implementation to realize the aspirations exposed by the 2030 Agenda for Sustainable Development. We stand ready to provide our untiring contribution through our passionate and knowledgeable participation at all levels of this process. We continue to re-affirm the importance of multilateralism and the democratic ideals that it upholds and demand firm and bold steps in the necessary democratization of global economic governance.

Despite the high-level political promises, we are off track to reach the 2030 Agenda, the cost being paid by all those people and communities that continue to be marginalized in the face of a world economy that is increasingly focused of its new frontiers of digitalization and dematerialization. But there is nothing digital in the inacceptable levels of deprivation that continue to persist. Indeed, we are outraged that the current systems allow the overconcentration of massive wealth on the 1%, while billions live in poverty and marginalization. Furthermore, the latest economic cyclical upturn, not generalized and mostly centred within the Global North, has been accompanied by an increase in hunger and the worsening in the profile of vulnerabilities, heightened carbon emissions, and the persistence of structural levels of inequalities between and within countries. Our economy fails when it downturns and fails us again when it moves forward. 10 years into the last financial crisis, some of the root determinants remain unaddressed and, combined with increasing levels of financialization, continue to fuel a slow-motion – not for that less damaging – new financial crisis and the re-emergence of debt sustainability challenges, which seriously constraint the fiscal and policy space to advance the development agenda. The combined evolution of commodity prices and exchange rates have been exacerbating existing conditions of commodity dependence and exposed the short-sightedness of export-led strategies and premature financial liberalization.

Against this challenging background, we are struck by three profound levels of dissonance in the Forum discussions and conclusions. First, the mismatch between the scope and urgency posed by world’s current multiple challenges and the far-too timid level of ambition in terms of public policies and investment. Secondly, the dissonance between the impetus to use public funds to leverage and de-risk private investments while being concerned with the looming debt crises, without recognizing that these are the two sides of the same coin. And, lastly, the asynchrony between the commitment to place people and planet at the centre and continued unwillingness to re-align economic, monetary and financial frameworks.

Realigning the business models to the imperatives of sustainable development should not be seen as an act of seduction; it requires a new set of bold public norms, policies and investments. It requires the reaffirmation, rather than the abdication, of the role of the State in defining a new set of global rules for people’s peaceful and sustainable cohabitation on this small planet. It requires the courage to stop
unsustainable investments and predatory practices. It calls for upholding the centrality of human rights – the foundations of the United Nations – as the overarching frame of our common action and the guiding track of our life courses.

We agree with the leitmotiv of this Forum that the private sector should contribute much more to development finance. But we differ on the modalities of catalysing finance from the private sector. The dominant discourse within the Forum is that finance from the private sector come in the form of investments, subjecting the pursuit of public goals to the expectation of profitability and, increasingly, public guarantees for private risks. On the contrary, we call for more effective taxation of private and corporate wealth, assets and income, so that the State could have the adequate fiscal space to pursue its duty-bearer responsibilities.

We are also deeply concerned that the number of Low-Income Countries facing debt crisis has doubled since 2013, with only 1 in 5 countries considered to be at low risk of debt distress. The new wave of debt crises has emerged as the key risks for the 2030 Agenda and the implementation of the Sustainable Development Goals. Irresponsible lending by private creditors - by private banks and even transnational corporations from the extractive industry sector - have forced some of the poorest crisis into default. Middle and High-Income countries also suffer from the highest debt burdens ever. High payments on debt crowd out spending on essential services, compete with development financing and hinder the progressive realization of human rights in all country groupings.

We therefore invite to step-up the leadership, ambition and practical actions to change the current course:

1. We reiterate our call for an inclusive intergovernmental UN tax commission to be established, with the mandate and resources to ensure effective and fully inclusive international tax cooperation and domestic resource mobilization, as well as address all issues related to illicit financial flows, including international tax avoidance and evasion. Such an intergovernmental tax commission, where all countries participate on a truly equal footing, should deliver a convention with legally binding rules to ensure effective international tax cooperation, including by ensuring transparency, tackling harmful tax policies and practices, tax havens and secrecy jurisdictions, and other elements facilitating illicit financial flows. We further pressure all governments to immediately move towards progressive, effective and gender-just tax systems which contribute to equitable redistribution and ensure appropriate public funding for gender responsive public services (GRPS). We also stress the importance of ensuring adequate fiscal space to support social protection and note with regret that many states have retrenched benefits and services under the pressure of biased austerity programmes;

2. We urge both governments and private enterprises to effectively implement the ILO Labour Conventions, the UN guiding principles on Business and Human Rights, and the OECD guidelines for Multi National Enterprises, and to set up effective mechanisms for resolving abuses and provide adequate remedy, especially for indigenous peoples. Recognizing that voluntary principles are insufficient, we call on governments to engage constructively in the ongoing development in the Human Rights Council towards an international legally binding instrument on Transnational Corporations and other Business Enterprises. We further urge governments to prioritize policies and development funds supporting decent work and sustainable economic models, such as those of the social and solidarity economy and agroecology, that enhances local economic development and livelihoods strategies, domestic financing, democratic ownership and supports domestic micro, small and medium-sized enterprises that have a greater sustainable development impact;

3. We reject the World Bank Group’s Maximising Finance for Development (MFD) approach that implies a problematic ‘private finance first’ attitude to development finance and reaffirm the centrality of public policies and investments. We have exposed the profound shortcomings of the PPP model. The refusal of the Bank to reassess its preferential leanings towards PPPs, is a self-perpetuated institutional blind spot
that, we believe, amounts to wilful negligence. We there invite governments to declare a moratorium on
funding, promoting or providing technical assessment for PPPs until an independent review into their
development outcomes, and particularly of the World Bank’s PPP portfolio, is completed. This should
include accumulated off-balance sheet debts, and human rights and environmental impacts;

4. With many donors not reaching global commitments on aid, including the 0.7% target, the global
community should make sure that the quality resources available are not utilized to serve other interests
or be invested in blending mechanisms whose development impacts are still to be demonstrated. Rather,
it should back innovative financing mechanisms to generate new concessional resources as well as
address the need of the countries in transition with limited capacity to access to the financial market;
ODA can be profitably used to strengthen DRM and tax capacity in countries and should never be used
in a way that subordinates local priorities to the interests of stakeholders in the Global North, for example
through tied aid. The Outcome document fails to capture trends to divert funds away from the core
purpose of poverty alleviation and tackling inequalities, which calls for urgency in accelerating action on
quality and quantity public financing. As country ownership of development processes is a key building
block to the realization of lasting and sustainable development results, all parties to the UN system
should play their role to secure development plans genuinely inclusive as well as to coordinate their
action accordingly. In this regard, progress on development effectiveness remains insufficient and the
lack of ambition on efforts as to ‘Leave No One Behind’ persists, despite high rhetoric;

5. A key gap in the international financial architecture remains the absence of a multilateral debt workout
mechanism – a debt workout institution and a legal framework – that can restructure the whole debt
stock of a country in crisis in one single and speedy process. We therefore urge the United Nations to
adopt a Multilateral legal framework for sovereign debt restructurings, and establish a transparent and
accountable Debt Workout Institution, independent of creditors and debtors to reduce and resolve debt
crises and to comprehensively, rapidly and fairly restructure debt. The mandate to do so already exists
through the outcomes of the FfD Summits and Resolutions adopted by the UN General Assembly (namely
69/319). Procrastination is no longer an option if we want to avoid that the 2030 Agenda turns into a
new lost decade for development. We further reject any normative hierarchy between loan contracts
and human rights treaties, and that governments have to prioritize human rights spending over debt
service when they allocate budgets – as explained by the UN Guiding Principles on Foreign Debt and
Human Rights;

6. We had hopes that the Outcome document will reflect the turmoil in the current global trade scenario
with some language towards solutions that support the sustainable development efforts of poorer
countries. However, the language remains grossly inadequate. The trade related instruments of the Addis
Agenda and the Means of Implementation prescribed by the 2030 Agenda, including the conclusion of
the Doha Development Round and the principle of Special and Differential Treatment, must be deployed
fully for meeting the sustainable development objectives especially the needs of small farmers, workers,
women, small producers, indigenous peoples and other marginal constituencies that do not find a voice
and place in the design and execution of trade policy. Most important, developing country’s policy space
for pursuing sustainable development must not be obstructed by trade rules especially in new issues. We
also call for ex ante and ex post sustainable development or SDG impact assessment and human rights
impacts assessment of trade and investment agreements;

7. We renew our call to reformulate the very foundations of an international financial and monetary system
that fails to serve sustainable development and rights. While banks have been more strictly regulated,
more and more complex and risky financial products are again being issued on the financial market which
increases uncertainty and could become a systemic risk for the global financial system. Too many
financial sector organisations have captured regulators to create a race to the bottom in terms of financial regulation and transparency. Therefore, we urge Member States to take coordinated measures to impose stricter regulations of the so-called market-based finance sector (shadow banking). Banks and other finance institutions that are “too big to fail” need to be made smaller and engage in less risky activities. Further expansion of securitization and derivatives have to be monitored for systemic risk, controlled and limited. We also urge them to agree on measures, rules and actions like capital controls that encourage countries to limit short-term capital inflows and outflows in order to prevent excessive financial and exchange rate volatility. Capital control measures should be considered standard policy measures in the context of a comprehensive set of policy options. We further call for reform of the Special Drawing Rights regime towards its full potential to serve as a development finance tool and as the centre of the international monetary system. Failing to do so validates the insufficiencies of the IMF governance reform process. 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.

To pursue these ambitious objectives there is an urgent need to improve the follow-up modalities, also to provide adequate normative responses to the mandates provided to the IATF. First, the next FfD outcome should therefore call for the establishment of “workstreams” co-chaired by Member States, or other similar mechanisms to generate policy convergence on key issues, if necessary over multiyear schedules. Secondly, the Forum agenda needs to be more focused and designed to provide adequate space to tackle key issues and take related decisions, including the conclusion of the actual negotiations, to maximize the knowledge benefit and democratic dividend provided by the extensive presence of national delegations, civil society and other constituencies. Lastly and most importantly, we call for a new heads of state FfD summit so that global leaders can work towards ensuring the implementation of previous commitments as well as agree a major new set of ambitious actions on financing for development.

However, we are cognisant that these reform processes take time. But time is a luxury some of our communities do not have. Urgent debt relief processes are urgently required for Caribbean and other Small Island Development States ahead of the next hurricane season, while many are still recovering from the disastrous consequence of the 2017 events. We therefore urge that permanent debt relief processes are unhesitantly put in place to protect small islands when that are hit by natural disasters. We must all act quickly as the next hurricane season begins in just a few weeks. The Heavily Indebted Caribbean Countries debt relief initiative has been launched at this FfD Forum. We expect governments and international financial institutions to endorse the initiative and put it into practice before the next hurricane season strikes.

Time for analysis is over. The time for action is now.