

# The FfD Chronicle

CSO FfD MECHANISM | VIII ECOSOC FORUM ON FINANCING FOR DEVELOPMENT | APRIL 18, 2023 | Issue 2

## Development Cooperation is So Much More than MDBs

While the FfD panel discussion on development cooperation largely focused on current discussions on MDB reform and summarized the discussions that took place in Washington last week, multilateral lending is not the end all be all of development cooperation.

While reform of the Bretton Woods Institutions is long overdue. Contrary to what Director-General Zattler of Germany said, the World Bank reform is not the most important process in town.

As was shared by Mr. Zimpita of Malawi, reform of the MDBs won't deliver nearly in time for countries in crisis today. For countries like Malawi, which is facing an 11% budget deficit after being hit by one of the worst cyclones in history last week, urgent relief is desperately needed.

This situation underscores the importance of ODA as a significant mechanism for providing low-cost finance to countries who are furthest behind when it comes to achieving sustainable development. As the CSO FfD Mechanism we call on providers to raise their official development assistance (ODA) substantially and to truly deliver on the pledge to leave no one behind.

The richest economies must keep their existing promises to poorer countries and pay off the 'aid debt'. There is compelling evidence that aid saves lives and reduces inequality, especially when given as long-term predictable budget support. Yet rich countries have resolutely failed to deliver on aid promises, underpaying LICs and MICs to the tune of \$6.5 trillion since the UN 0.7% resolution was passed in 1970. Rich countries have an obligation to start paying off their aid debt. It is also crucial to note that donors must also adhere to the highest aid effectiveness standards, and stop the accounting trickery of siphoning off large amounts of aid to spend in donor countries on things like in-country refugee costs and vaccine donations.

ODA must return to its original intent to eradicate poverty, address inequalities and promote economic development, and reaffirm commitment in meeting the 0.7% Gross National Income (GNI) target, the .15-.2% GNI to less developed countries (LDCs) target, and avoid diverting ODA to the private sector. Moreover, ODA should be directed to support job creation and just transition processes, and public services. In particular, funding for social protection should be increased to reach at least 7 percent of ODA by 2030 (which is the current percentage allocated to health and education).

## Reforming the International Financial Architecture

THROUGHOUT THE SESSIONS ON DAY 1 of the FfD Forum, there has been great consensus that reforms of the international financial architecture remain a key priority for addressing the development. Different member states have underpinned the important role that the international financial architecture has in shaping and achieving the development goals across the globe.

The G77 and China in their statement mentioned that reforms of the International Financial Architecture cannot wait any longer. The Colombian Minister of finance Jose Antonio Ocampo also stated that Colombia welcomes the resolution to start reforms of the international financial architecture and to come up with an intergovernmental body on tax. He also added that International Tax cooperation must change both at the OECD inclusive framework and at the UN.

However, we are concerned that increasingly we keep hearing that reforms of the financial architecture can be achieved if we just reform the MDBs and have more money dedicated to the SDGs. Reforming the international financial architecture requires much more than throwing money at it. We emphasize that reforms of the international financial architecture is not just an institutional issue. It requires addressing the systemic issues that keep countries poor, keep resources flowing from developing countries to developed countries and keep debt and inflation soaring in developing countries.

The distinguished representative from Malawi was more candid in stating that the reforms of the international financial architecture must address the issue of illicit financial flows from developing countries. Reforms of the international financial architecture will therefore need to be more comprehensive and address not just the reforms of the MDBs but other institutions such as the OECD and the G20. The primacy of the UN in all this must also remain alive in all discussions on what needs to be done.

### Quote of the day

*"References were made to giving bigger roles to the IMF and the World Bank, but we must question the wisdom of seeking solutions from institutions that contributed significantly to the poly crisis."*

Mae Buenaventura | APMDD

Legal framework for  
MULTILATERAL DEBT  
RESOLUTION

FfD FORUM SIDE EVENT  
CR-9 (UNHQ)  
1:30 to 2:30 PM  
Tuesday, April 18 2023

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# UN TAX CONVENTION IN A NUTSHELL

As input to the blossoming debate about a UN Tax Convention, CSOs have tabled a fully fledged proposal for what it could look like. In essence, the proposal would:

Create an inclusive global tax body in the form of a Conference of the Parties, where all countries can participate on an equal footing.

Strengthen the fight against illicit financial flows by increasing transparency and international cooperation, and through coherent and less complex global tax rules.

Promote fairness towards developing countries by replacing existing tax rules that are biased against their interests.

Create strong links to other UN agendas, including the SDGs, human rights, equality and environmental protection.

Create global coherence and reduce complexity – including by gradually replacing the incoherent network of bilateral treaties, which make up the current global tax system.

Replace the failed transfer pricing system with a system whereby multinational corporations would be taxed on the basis of their global consolidated profits, supplemented by a minimum effective corporate tax rate.

Increase public participation in decision-making on tax.

Ensure transparency, while incorporating the interests, concerns and needs of developing countries.

Refrain from forcing countries to accept binding arbitration, and instead have a strong focus on dispute prevention, including by simplifying the global tax rules.

Be a framework convention, which would introduce the basic structures, commitments and agreements, and then allow for more detailed elements to be developed over time.



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## ABSENTEES



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