

# The FfD Chronicle

CSO FfD MECHANISM | VIII ECOSOC FORUM ON FINANCING FOR DEVELOPMENT | APRIL 19, 2023 | Issue 3

## DON'T BLAME THE COOK BLAME THE RECIPE

TUESDAY'S AGENDA WAS LOADED WITH DEBT DEBATES, and it became clear that the positions on how to deal with the crisis are – to put it mildly – diverse. Some even go as far as denying that there is a debt crisis, while others put all the blame on Global South countries' "irresponsible" borrowing. But the debt situation facing countries in the Global South is not of their own making. This is important to note. Developing countries have followed – almost to the very last full-stop, comma, and semicolon – the recipe that has been provided to them by existing IFIs such as the IMF and the World Bank in a world where debt financing is the order of the day at the expense of domestic resource mobilization.

The discussions on debt relief need to give urgent attention to addressing the power asymmetry. We have seen how these asymmetries play out in the G20 Common Framework. Close to two years since its launch, the Common Framework has seen only 5 applications and 1 concluded programme in 2023 in Chad. The current debt relief initiatives are not fit for purpose. Furthermore, narrowing the debt discussion to issues of transparency and accountability ignores the systemic issues. This fails to address the democratic deficit that exists within the current architectural design of an economic and financial architecture that profits from irresponsible lending and lack of transparency and accountability from creditors. As said yesterday morning, the debt crisis won't be solved by the Common Framework, and it won't be solved by a user manual on debt restructuring or by more transparency. Fair and timely debt resolution will not come from lender dominated decision-making institutions that exclude the voices and experiences of people and governments of the Global South.

As said by the Secretary General on Monday, and supported by some member states and country groups, the UN is the only space to host dialogues on debt architecture reforms towards a multilateral legal framework for sovereign debt resolution that offers fair, transparent, timely and comprehensive debt restructuring and cancellation of unsustainable and illegitimate debts.

*“At what point does a crisis become a crisis? Is it when creditors balance sheets begin to be adversely affected? Or is it when peoples lives are impacted by reduced access to health, education, jobs, and other public services due to prioritisation of debt servicing?”* Jason Braganza | AFRODAD

## International Tax Convention Duplication or Duplicity?

EVEN BEFORE THE UN CAN BEGIN negotiations for a UN Tax Convention and a UN Tax Body, Big Tech and the OECD/G20 have started their campaign to exclude taxation of the digital economy from the agenda arguing that that would constitute a duplication of the work of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (IF on BEPS). Their argument also includes a condescending and baseless allegation that the UN and its members do not have the necessary technical ability.

Unfortunately, unlike the United Nations, the OECD/G20 initiative is not inclusive, even as its Pillars 1&2 proposals are woefully inadequate to reverse the continued wealth transfer, in terms of foregone tax revenues, from the developing countries to rich countries where the digital companies are located. These Pillars will not address the inability of developing countries to raise substantial tax revenues from digital companies who make tons of money in these jurisdictions without paying taxes, while at the same time out-competing local companies who pay taxes.

Simply put, there can never be a comprehensive, fair, and coherent international UN Tax Convention nor an effective UN Tax Body without a definitive language on taxation of the digital economy.

In the lead up to a UN Tax Convention and a UN Tax Body, it is essential to recognize unequivocally the right of each sovereign nation to impose taxes on digital companies through digital services tax or equalisation levy. Countries which opt to do so should not have to bear political nor economic pressures for exercising such a fundamental attribute of sovereignty.

### *Let's take out the emotions and bring on the data*

Bank of America – Global Alliance for Sustainable Investors (GISD) member and yesterday's panelist of FfD Forum – retains its position as the 4th largest global investor in fossil fuels since the Paris agreement. The commercial bank has financed \$281.2 billion in the largest fossil fuel corporations from 2016-2022 alone. Top 3 largest fossil fuel financiers include Citi Bank, fellow GISD member. Data source: [https://www.ran.org/wp-content/uploads/2023/04/BOCC\\_2023\\_vFinal.pdf](https://www.ran.org/wp-content/uploads/2023/04/BOCC_2023_vFinal.pdf)

FfD Forum  
Side Event

**Examining the theory  
and practice of INFFs**

CR-6 (UNHQ and online)

1:30 to 2:30 PM

Wednesday, April 19 2023

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# TIME TO CORRECT HISTORICAL INEQUITIES

*A trade policy for progressive industrial development in the Global South*

GLOBAL RULE MAKING ON INTERNATIONAL TRADE at the WTO or through the bilateral and regional agreements has severely constrained developing countries' policy space to pursue an effective industrial policy that can cater not only to their economic but also to their broad-based development needs. They have been tied to a model of premature liberalization and commodity dependence that have left them economically weak and vulnerable to any form of crisis.

The current articulation from the developed world of the need for an industrial policy opens the door to bring back the demand for trade policy tools that developing countries need in order to develop their industrial sector in a just and equitable manner. But it is critically important to recognise that what they need may be quite different –and often in conflict– with what developed countries demand. Developing countries need to have the policy space to use tariffs and subsidies based on their development stage; intellectual property rights that promote technology transfer including health and environmental technologies; have flexibility over their digital economy policy; have full flexibility to regulate foreign investment according to their needs and use a host of other policy tools for meeting industrial objectives. Over the past decades, they have been handed exactly the opposite through aggressive and unfair trade agreements at the WTO as well as through bilateral and regional trade and investment agreements.

Overall, policy space and special and differential treatment (SDT) are two critical elements of a trade policy that can support industrial development in the South, and both have been under threat from the current trade paradigm. The FFD forum needs to address imbalances and inequity in global trade rules in order to enable developing countries to pursue their own industrial policy rather than allow rich countries to aggressively pursue industrial development at their cost.



Side event about Legal Framework for Multilateral Debt Resolution promoted by the CSO FfD Mechanism engaged in a deep discussion on possibilities and usual institutional challenges.



## The Elephant in the Room

THE AFRICAN UNION COMMISSION POWERFULLY invoked the biggest elephant in the room: that of structural transformation through economic and sectoral diversification, strengthening endogenous production systems and value chain upgrading. They duly noted that the “international environment is not conducive enough to execute the structural transformation from net exporter of raw materials to diversification.” Indeed, FfD is the one process in the arena of global economic governance that ought to duly connect cycles of sovereign indebtedness to developing countries' access to policy space and flexibility in the international financial, trade and investment systems. Obstacles to economic diversification are woven into trade and investment rules that prohibit the use of the very industrial policy tools and strategies that are meant to facilitate employment generation, value-added production, backward and forward linkages between primary commodities and manufactured goods as well as food security, for example, within industrialized countries. Other significant political economic challenges to generating sustained and sufficient domestic revenue include intellectual property rights controlled by industrialized countries and their outright refusal to agree to technology transfer clauses in trade, climate and financial negotiations and agreements, and trade liberalization and privatization requirements encoded into trade agreements and loan conditions. Supporting sustainable, inclusive and ecologically conscious forms of economic diversification in developing countries involves regime changes within production, distribution, and energy systems. Technology transfer and productive investments are indispensable to ensure that both transition and transformation take place in a just way. Energy access and energy infrastructure require access to technologies and long-term public investments in clean and renewable energy, without replicating the inequities inherent in privatization and public-private partnership schemes. These are the structural mechanics of building coherence within and across the intersectional range of FfD arenas: systemic issues, debt, tax, trade, private finance, international development cooperation and science, technology and innovation. Oh and let's not forget: cooperation between the UN system and the Bretton Woods Institutions!

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