2023 Financing for Development Forum

Session: ***Private Investment for Development Countries***

Statement by Flora Sonkin of Society for International Development on behalf of Civil Society FfD Mechanism (including the Women's Working Group on FfD)

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Thank you chair, your excellencies – I am Flora Sonkin with Society for International Development and the Civil Society FfD Mechanism

- Speaking as civil society to remind all of us present here that these **discussions that sometimes appear to be technical do have real impacts on peoples lives everywhere**. With that I want to highlight while we are discussing ffd here, the indigenous people's forum is happening next door. And we shouldn't ignore how for instance policy decisions on private business and finance can impact on food sovereignty and indigenous peoples rights.
- For the past day and half, we've heard so much about leveraging private finance/attracting private capital as a sort of panacea for financing for development. **I dare say that this was the single most mentioned solution to achieve the SDGs.**
- **There's no doubt governments need to develop policies and strategies to develop a vibrant and diverse local economies and support domestic SMEs. But it's important for us to differentiate these important tools from policies focused on attracting foreign investments**, which remain mainstream in investment policy debates. So we do want to share a more nuanced approach.
- Starting from the diagnosis of the problem: **Sustainable development is not about filling a "financing gap".** Considering the financing gap as the premise, then of course the solution appears to be finding more money to fill that gap. But we all know there is not a lack of money out there. And yet we continue to hear about the need to use already scarce public resources to blend and leverage private investments.
- That premise is in itself disconnected from the systemic and structural challenges global south countries are facing today, namely the impacts of a climate emergency they historically did little to contribute to and yet are faced with the most devastating impacts, commodity dependence, unsustainable and illegitimate debt traps and tax evasion and avoidance by transnational corporations, all of which are **consequences of the design of the current international financial architecture.**

- The IATF report's analysis shows how strategies to mobilize more private investment flows are marked by proven risks and unproven benefits. As the Report admits, there are important risks with the behavior of private finance actors and large businesses: from a focus on profit-seeking, short-termism, SDG-washing, to the tendency of PPPs driving monopolistic behavior and burdening the public sector with risk guarantees and subsidies while the private sector earns all the returns and diverts public funds from other needs. Private finance can also come with high costs, with high interest rates and fees. **Risks are clear, but if we are being honest, these private actors' contributions to the SDGs remain wishful thinking.**
- When we talk about climate, **trusting voluntary ESG considerations is completely unreliable for long term sustainable development**; as shown by the IATF report, most asset managers integrate ESG in their financial decisions to manage risks to their investments and maximize their returns, therefore not really investing in the most vulnerable places where those funds are most needed but rather where they can extract most profit.
- *In addition, it is important for us to consider that what might be a "Bankable" investment project might not be aligned with sustainable development and national priorities – and may in fact further commodity dependence and lock countries into unsustainable futures.*
- Trusting that profit-seeking actors will pave the way towards sustainable development through voluntary contributions is not smart policy, especially considering that unsustainable business models are at the core of the many challenges the SDGs aim to respond to.

Maybe instead of creating a red carpeted highway for private finance we should be focusing on supporting the mobilization of public resources that are actually accountable to people's needs and demands and responsive to national development priorities. And we do have a few suggestions on that.

We call on governments to establish UN intergovernmental tax body and negotiate a UN Tax Convention

To establish a debt workout mechanism under UN auspices, that is a transparent, binding and timely multilateral framework for debt crisis resolution

And to declare a moratorium on funding, promoting or providing technical assessment for PPPs until an independent review into their development outcomes is completed.

We need an international financial architecture where govts can play their regulatory role to serve sustainable development -- that is one that is guided by the well-being of people and planet, instead of molded around the profitability of corporations and the financial sector.