



A Geopolitical Analysis of Financing for Development (FfD3)

Regions Refocus 2015 and Third World Network (TWN) with Development Alternatives with Women for a New Era (DAWN) present this analysis of government positions and recommendations from [regional workshops](#) convened in collaboration with autonomous South based civil society networks in eight sub-regions of the world.

As a companion, see the Regions Refocus Language Map of the Zero Draft, available at <http://bit.ly/RRZeroDraftLanguageMap>.

In July 2015 in Addis Ababa, Ethiopia, the governments of the United Nations will negotiate an important political agreement on how to finance, support, and enable the new sustainable development agenda. This **Third Conference on Financing for Development**, or **FfD3**, follows a trajectory that began in the late 1990s in recognition of the need for global attention and action to address and overcome systemic inequalities and the achievement of development. The conference will be an arena for a timely and foundational agreement on how to finance development through public and private means, and through domestic and international policies and programs.¹ It will result in an intergovernmental negotiated and agreed outcome, which will lay the groundwork for this landmark year of global agreements, particularly the two major intergovernmental negotiations that follow it: the Post-2015 Summit, to define the sustainable development agenda, and COP21 of the UNFCCC, a major legally-binding agreement on who bears responsibility for climate change and how.

Since the [FfD3 process](#) began in late 2014 (see **Timeline** below), lines have been drawn primarily – though not always – between the global South and the global North. The **Group of 77 and China (G77)** (comprised of 134 developing countries), the **African Group**, the **Least Developed Countries**, **Brazil**, **India**, and other states and blocs consistently defend the right to development, the guiding principle of common

but differentiated responsibilities (CBDR) as contained in the Rio Principles of 1992, and the need for means of implementation (MoI) that reflect these principles.

Taking an opposing view, developed countries including the **European Union**, the **United Kingdom**, the **United States**, **Japan** and others assert that all countries have to take responsibility and that CBDR only applies to issues related to the environment and climate change. This fissure is at the very center of the geopolitical dynamics at the United Nations, not only in the FfD3 discussion but echoing throughout the negotiations towards the Sustainable Development Goals (SDGs).

One of the essential tasks of FfD3 is to meaningfully address the **“means of implementation” (MoI)** of the new sustainable development agenda. MoI consist of both financial resources (e.g. aid, concessional lending), and non-financial measures including technology transfer and capacity building, as well as international systemic issues of finance and trade. From the perspective of developing countries, the **G77** emphasizes the importance of action-oriented and time-bound MoI to support the achievement of each of the Sustainable Development Goals (SDGs), as well as addressing the systemic obstacles that prevented the achievement of previous internationally-agreed development goals. The **European Union (EU)** and **other global North countries** would prefer that FfD3 focus solely on defining financial MoI

¹ See the modalities resolution of the FfD3 process ([A/RES/68/279](#)).

in the context of the post-2015 sustainable development agenda.

Further, the **G77** asserts that the Addis Ababa conference should not only review the progress of the Financing for Development agenda as defined in Monterrey in 2002,² but also reinvigorate its follow-up. FfD3 must identify obstacles, commit to actions to overcome these obstacles, and create or strengthen mechanisms to ensure predictable and secure resources for development.

Faultlines Emerge in FfD3

Significant sticking points as revealed in the FfD3 discussions so far are examined below, following the seven thematic headings of the [Zero Draft of the Addis Ababa Accord](#). The structure of this document does not signify acquiescence to the shift away from the original FfD agenda as outlined in Monterrey and Doha. Along with the **G77** and a majority of civil society, we call for the FfD3 process to affirm and adhere to the original structure of the Monterrey Consensus and Doha Declaration.

A. Domestic Public Finance: *Primary source of development, or complement to aid?*

While the FfD3 discussions have focused more on private finance than on public, developed countries in particular emphasize the importance of **domestic resource mobilization** as a primary vehicle for development. The **EU**, along with the **US**, **Australia**, and **Japan**, disproportionately place the onus of achieving development on the individual state, thereby deflecting attention from the historical responsibility of European and other Northern countries to contribute to global development. This disproportionate emphasis on domestic resource mobilization by **European and other Northern states** also evades a discussion of the need for these states to reaffirm – and fulfill – their promises to provide aid.

² The FfD UN intergovernmental process began with the first international conference, held in Monterrey, Mexico, in 2002. The Monterrey Consensus, as the original FfD outcome document is known, has been monitored through a follow-up process that includes a second FfD conference in Doha, Qatar, in 2008, and biannual meetings of the UN General Assembly in New York.

In the context of the post-2015 development agenda, the **Rio principle of CBDR** (see box below) strives toward balancing universality of objectives within the reality of the deeply imbalanced and asymmetric world in which we live. Throughout the SDG negotiations in 2013-14, developing countries repeatedly asserted that while the goals are universal to all countries in terms of their nature and relevance, the degree of national responsibility in the implementation of the goals should be differentiated in accordance with the varying capacities, realities, and developmental levels of countries.

As part of a broader frame of “gender-responsive public management,” the Doha Declaration (2008) reiterated the need to **allocate resources to promote gender equality**. Governments from all regions have mentioned the importance of gender equality and women’s empowerment during FfD3. This welcome development is reflected in the current Zero Draft, which “reiterate[s] the need for gender mainstreaming in the formulation and implementation of financial and economic policies and agree[s] to implement transformative actions to ensure women’s equal rights, access and opportunities for participation and leadership in the economy” [para 6].

During the FfD3 negotiations, **Tonga** and **Uruguay** have stressed the need for the Addis outcome to center on gender equality and women’s rights, in line with a [statement](#) delivered by **Iceland** at the first drafting session on behalf of **twenty governments**. These governments warn that domestic budgets are “generally not gender-responsive,” and recommend budget transparency around “expenditure allocated to tackling gender inequalities and appropriate and inclusive mechanisms for the participation of women and the inclusion of gender concerns in budgeting and spending policies.” The statement calls attention to women’s disproportionate lack of access to financial services, an important point that must be addressed while simultaneously reorienting the financial sector towards equitable and sustainable development. While the increased attention to gender equality in FfD3 is welcome, the Addis outcome must avoid further

entrenching the instrumentalization of women, particularly apparent in the “smart economics” approach of the World Bank and IMF.³ Also crucial is the analysis that women are disproportionately impacted by austerity programmes, the inequitable outcomes of public-private partnership projects, and the various dysfunctions of the international trade and financial architectures, from rigged trade rules to financial speculation.

The statement delivered by **Iceland** on behalf of twenty governments also addresses the gender dimensions of taxation policy, which are also reflected in the Zero Draft [para 18]. **Regions Refocus 2015** shares this focus, arguing that tax equity and curbing illicit capital flows should garner additional resources for financing gender equality and sexual and reproductive health and rights, and thereby fulfill states’ obligations to commit the maximum available resources to fulfilling women’s human rights. The disproportionate burden of taxation on people and communities living in poverty must be reversed, as part of a broader shift in fiscal policy at the national level to address inequalities.

Focusing on the **international and structural dimensions of domestic resource mobilization**, the **G77** and **China** have emphasized the primary importance of international public finance for development. The **G77** has also linked domestic resource mobilization to the need for international cooperation to stem illicit financial flows (IFFs), calling for the unconditional return of stolen assets to countries of origin and taking on board many of the proposals of the recent **African Union High-Level Panel** on IFFs. Widespread practices of tax evasion, trade and services mispricing as well as transfer pricing abuses by transnational corporations account for the bulk of illicit outflows from developing countries. According to the aforementioned High-Level

Panel, the African continent recently lost \$50-\$60 billion a year in illicit financial outflows. This is more or less equal to the total foreign direct investment (FDI) and more than the total ODA that the continent receives annually.⁴

Regional Civil Society Proposals

- Raise the tax proportion, through shifting of indirect and consumption-based taxes to progressive taxation of income and capital, based on an analysis of the implications of taxation on equity and the disproportionate burden borne by people living in poverty. ([Arab States](#))
- Implement progressive tax systems that shift the burden from people living in poverty, women, and other marginalized groups to those with higher incomes, especially corporations, the financial sector, and extractive industries. ([Africa Feminist Statement](#), [Latin America Feminist Statement](#))
- Address corporate tax evasion through a resurgence of state responsibility towards regulation and taxation rather than policies that spur competitiveness in global markets regardless of social cost. ([Arab States](#))
- Reverse the “race to the bottom” and combat tax evasion and avoidance and their impacts on the ability of states to guarantee human rights. ([Latin America Feminist Statement](#))
- Strengthen state legislation and institutions to challenge multinational corporations that use trade mispricing, mis-invoicing, tax havens, and other tax evading tactics. ([Africa Feminist Statement](#), [Arab States](#))
- Tackle illicit capital flows to garner additional resources for financing gender equality and sexual and reproductive rights, thereby fulfilling their obligations to commit the maximum available resources to fulfilling women’s human rights. ([Latin America Feminist Statement](#))

In the context of the discussions on domestic public finance, one of the key achievements of FfD3 would be to retain and reaffirm a decision to upgrade the **UN Committee of Experts on International Cooperation in Tax Matters into an intergovernmental committee**, as currently outlined in the Zero Draft [para 28]. Along these lines, **many developing countries** use the FfD3 process to call attention to the undemocratic nature of the international system around tax standards.

Decrying the dominance of the OECD over international taxation and the **illicit financial**

³ See page 9 of *Towards the Third International Conference on Financing for Development: Old Tensions and New Challenges Emerge in Negotiating Session*, published by DAWN in March 2015.

⁴ Similar estimates are also reported by [Global Financial Integrity](#), a US-based research and advocacy group.

[flows \(IFFs\)](#) discourse (through the new [Base Erosion and Profit Shifting, or BEPS, initiative](#)), the **G77** requests a UN process where each country has an equal seat at the table. This call is in line with the **Group**'s repeated emphasis on the uniquely democratic and legitimate role of the United Nations in carrying out multilateral coordination of systemic policy issues that are crucial for all countries, but especially developing countries.

Additionally, states including **Benin** (on behalf of the **Least Developed Countries**) and **Guatemala** call for a halt to the “race to the bottom” in tax rates for multinational corporations. **Benin** explained: “Private sector agents, particularly those representing transnational corporations, should be discouraged and prevented from seeking deep or long-lasting tax concessions when investing in LDCs.” The **African Group** added a call for country-by-country reporting for transnational corporations, to be made public and accessible to developing countries’ tax administrations and local civil society. The [Zero Draft](#) includes this language, agreeing to “work together to strengthen transparency and adopt pending policy innovations, including: public country-by-country reporting by multinational enterprises; public beneficial ownership registries; and multilateral, automatic exchange of tax information, with assistance to developing countries, especially the poorest, as needed to upgrade their capacity to participate” [para 25].

B. Domestic and International Private Business and Finance: *Warning signs*

The FfD3 arena – as well as that of post-2015 – has witnessed an intense promotion of the role of private finance in achieving development, led primarily by the **EU**, along with the **US**, the **UK**, **Australia**, and **Switzerland**. According to the **EU**, “there is a case for international action and strong partnerships to leverage additional private finance – DFIs, blended finance platforms, deploying equity, loans and guarantees can mobilize private sector finance and incentivize long-term investment in critical infrastructure

sectors in developing countries.” The **EU** especially highlighted the potential of **blended finance** – which combines grants with loans and equity from public and private sources – “to catalyze public and private investments in partner countries.”⁵

The use of scarce ODA resources, essentially public funds, for private sector contracts and investments has long been a contentious issue. Public aid flows are distinct from private sources because their purpose is to finance the pursuit of the public goods (such as health services) funded by money collected by the state, for example through taxation (See [Section A](#) above).⁶ Further, the track record of private sector financing by multilateral and national financial institutions reveals that funds are most often given to companies domiciled in donor countries rather than in developing countries.⁷ This finding raises questions as to whether IFIs are actually directing their financial support to the most credit-constrained companies in the world’s poorest countries, or whether their investment patterns are simply following market trends.

Cautioning against a wholesale embrace of **public-private partnerships (PPPs)** and the serious issues inherent within them of contingent liabilities, fiscal risks and debt burdens, the **G77** emphasizes that private corporations are primarily profit-focused, and therefore should not be relied upon to achieve development. Instead, **developing countries** are using the FfD3 process to voice their affirmation of the primary role of public finance in ensuring sustainable development.

⁵ Engaging business through development aid has become a central plank of many donor countries’ official aid policies, as national agencies increasingly look to business as prime partners. In the last seven years, bilateral development agencies have been channeling a rapidly growing share of ODA to the private sector. Since 2006, Belgium and Sweden have increased aid flows to the private sector by four and seven times respectively. This pace dwarfs aggregate ODA growth from these very countries.

⁶ See Third World Network (TWN) [Briefing Paper 69](#), *Amplifying the private sector in development: Concerns, questions and risks*, 2013.

⁷ See the [report](#) *Private profit for public good?: Can investing in private companies deliver for the poor?*, published by the European Network on Debt and Development (Eurodad), 2012.

An **intergovernmental accountability mechanism for UN partnerships with the private sector** is urgently needed. This mechanism must be rooted in the international human rights framework and existing obligations in all three dimensions of sustainable development (economic, social, and environmental). The central objective of the framework would be to ensure accountability and *ex ante* assessment of partnerships. Clear criteria should be applied to determine whether a specific private sector actor is fit for a partnership in pursuit of the post-2015 goals. UN member states would be at the helm of formulating the framework, including the criteria, the oversight and monitoring process based on due diligence reporting, and independent third-party evaluations.⁸

The Fetish of Foreign Direct Investment

While the Monterrey Consensus places great emphasis on foreign direct investment (FDI) for its contribution to more long-term development than indirect investments from financial market investors, neither the Monterrey Consensus nor FfD3 pay adequate attention to the conditions and policies needed to realize such benefits.

Instead of overemphasizing or “fetishizing” FDI, developing countries require structural change toward growth with equality and employment, technological upgrading and productivity growth. Public budgets need to prioritize investments in essential social sector services and provisions, such as education, healthcare, and social protection programs. This calls for maximization of domestically derived resources and raw materials for production, concentration on high value-added activities, and generation of positive spillovers to the economy at large by establishing supply links with local industry and training local labor. Active policy must ensure that FDI benefits developing countries through transfer of technology and skills. In this respect, developing country governments face severe constraints, not only because of obligations and restrictions entailed by World Trade Organization agreements but also because of bilateral investment treaties (BITs) signed with developed countries, particularly the United States.

One key objective would be to eliminate potential private donors whose activities are antithetical or

⁸ For more on criteria that should guide the UN's engagement with private sector actors, see the recommendations developed by the [Righting Finance](#) initiative.

contradictory to the UN Charter, the Universal Declaration on Human Rights, and the SDG framework. Such a framework could be situated within the High Level Political Forum (HLPF), which would re-structure the HLPF into a meaningful locus for accountability and governance of the post-2015 development agenda.⁹

Regions Refocus 2015 also directly challenges the embrace of the corporate sector by the UN Secretariat along with member states and even some large civil society organizations. Regulation and safeguards must replace laxity and low taxes, so that the prevailing paradigm benefits developing countries rather than the corporations that invest in them. All negotiations in the UN, including Rio+20, Sustainable Development Goals, and FfD3 and the post-2015 development agenda this year have witnessed developed countries placing exceptional focus on the enabling environment for business. Developing countries, on the other hand, have repeatedly called for an international enabling environment for development. These differing perspectives frame the larger debate about whose development the post-2015 agenda is about.

Regional Civil Society Proposals

- Require public disclosure of trade and investment agreements, PPP contracts, corporate payments to governments (including taxes), government subsidies, and environmental and human rights impacts. ([Southern Africa](#), [Arab States](#))
- Ensure fair and appropriate sharing of risks between the public and private sector and disclose such risk-sharing arrangements to elected officials and the public. ([Southern Africa](#))
- PPP agreements should include a clause that requires foreign investors to promote beneficitation in the communities where they operate, along with local content policies that empower citizens ([West Africa](#))
- Regional initiatives must move beyond voluntary, uncoordinated mechanisms of corporate social responsibility and transparency, towards binding corporate accountability. ([Pacific](#), [Southern Africa](#), [West Africa](#))

⁹ See Third World Network (TWN), [Multi-Stakeholder Partnerships, Corporate Accountability and Public-Private Partnerships in the Context of the 3rd International Financing For Development Conference](#), 2014.

C. International Public Finance: *Additional commitments or subsidizing the private sector?*

In addressing the financing needs of the sustainable development agenda as well as the continuity of commitments made in Monterrey and affirmed in Doha, **developing countries** continually refer to **additionality** as the fundamental criterion for aid. A legal commitment under the three “Rio conventions,” the principle of additionality requires that developed countries pledge new and additional funding towards climate and sustainable development, while fulfilling their original commitments to provide Official Development Assistance (ODA) as a separate funding entity. The Monterrey Consensus reaffirmed developed countries’ commitment to “0.7 per cent of gross national product (GNP) as ODA to developing countries and 0.15 to 0.20 percent of GNP of developed countries to least developed countries.”

In accordance with the concept of climate justice and climate debt, developed countries must commit new and additional funding to developing countries that experience adverse effects of climate change without having benefitted from the industrialization that caused it. According to the **G77, Bangladesh, and Colombia**, “Assistance for climate change adaptation programs should be additional and absolutely outside the computation of ODA.”¹⁰

Taking a different approach, the **UK, EU, and other power centers of the global North** emphasize increasing the fungibility of the same pool of traditional aid and “leveraging” ODA. “The most effective use of public money, including ODA, is to facilitate and maximize other, larger flows of finance for development,” expressed **Australia, the UK, and Denmark**. This emphasis, also expressed in the Zero Draft [paras 55, 58], must be challenged in subsequent negotiations towards the Addis agreement, or risk

¹⁰This is in line with the recommendations of **Regions Refocus 2015** workshops, which advocate for additional, adequate, appropriate, equitable, and predictable financing to mitigate and adapt to climate change, in accordance with the climate debt owed to countries who suffer the damages without the benefits of rich countries’ industrialization processes.

dissolving the original global partnership for development into a proliferation of **public-private partnerships (PPPs)** and “multi-stakeholder” governance (see Section C below).

Common but differentiated responsibilities

The Rio principle of “common but differentiated responsibilities” (CBDR) – referring to the specific obligations of different categories of countries based on their historical trajectories – has been championed by **developing countries**, with **Brazil** in the lead, throughout the FfD3 process as well as the parallel post-2015 track. With the **EU** exhorting the UN to “move beyond outdated dichotomies” between developed and developing countries and **several global North countries** calling for “shared responsibility” rather than CBDR, this issue will face continued debate as the FfD3 and post-2015 processes continue. The principle of CBDR captures the trinity of universality, differentiation and responsibility: *differentiation* as the basis of crafting targets; *responsibility* as the basis of delivering actionable MoI and creating an enabling international environment for development, policy space, and the global partnership for development; and the imperative of *universality* ought to embody the relevance, commitment, and priorities of goals relevant for all governments. Eventual agreements on trade, intellectual property rights, technology transfer agricultural subsidies, and international structural issues of finance, economic governance, trade, investment, and taxation will depend on the inclusion of CBDR in the FfD3 process.

The **G77 and other developing countries** have asserted the inherent linkages between the principles of equity, CBDR, and MoI in every discussion pertaining to the SDGs and the post-2015 development agenda. **Developed countries**, on the other hand, argue that CBDR applies only to the environment, under the auspices of the climate change negotiations, and cannot serve as a basis for international development cooperation. As it reads in the Rio Principles, CBDR is about the responsibility that the developed world bears in the international pursuit of sustainable development.

Through FfD3, **Brazil** and other developing countries challenge this push by **OECD countries** to use ODA to “mitigate” risks of private investment, insisting that this actually entails transferring the bulk of the risk of private investment to the public sector. Civil society has also been raising red flags on the documented trend of the socialization of risks and privatization of profits inherent in much of private sector financing and PPPs, particularly in the

infrastructure sector. The **G77** upholds the importance of ODA commitments, stressing that “public funding should always take precedence over private financing” and that “these two concepts cannot be put on equal footing.”

D. International Trade for Sustainable Development: *Can the UN level the playing field?*

In FfD3, **Australia, Canada,** and the **US** frame trade and investment as the most significant contributor to development, exhorting the benefits to developing countries of free and open trade in particular. Many **Latin American** and **African governments,** on the other hand, raise concerns that trade does not automatically lead to development, and conditions should be established to ensure that trade rules produce positive social, economic, and environmental impacts, rather than exacerbating inequalities and unfair competition.

The **G77** calls for expanding the market access of developing countries, including through the provision of **duty-free, quota-free access.** **CARICOM** and the **Pacific SIDS** repeat the call of many developing countries for an open, non-discriminatory, equitable multilateral trading system, of special importance to island economies and other states that rely on trade. Similarly, the **African Group** is calling for the removal of non-tariff measures with discriminatory restrictive impact. While the **EU and other Northern states** also indicate the importance of expanding market access to developing countries, they also highlight the responsibilities of emerging economies and the importance of South-South and triangular cooperation. The **G77, African Group,** and other blocs in turn assert that South-South and triangular cooperation are complementary to, but cannot substitute, the principle of international development cooperation along North-South lines. (See **Section F** below.)

The **African Group** calls on FfD3 to address issues of trade barriers and trade distorting subsidies, especially for developing countries. The **intellectual property rights (IPR) regime** has

also surfaced as an area of concern for developing countries, which call for the amendment of the WTO’s TRIPS through a UN process and the full use of TRIPS flexibilities. The TRIPS agreement directly impacts the ability of developing countries to meet urgent public health needs, and thus the social pillar of sustainable development. Various measures across multilateral, plurilateral, and bilateral trade dangerously tighten and increase intellectual property standards, which push smaller and cheaper producers in developing countries out of production while also raising costs of essential medicines and health care, agricultural inputs and therefore food prices. The **Zero Draft** commits to “work to assure policy environments conducive for technology development and dissemination as well as balanced IPR regimes, including the application of TRIPS flexibilities fully consistent with sustainable development strategies and the necessary consideration of knowledge and technologies in the public domain and under compulsory and public licenses” [para 114].

Additionally, the **EU, African Group,** and **CARICOM** voice their support for “**Aid for Trade**” provisions of the WTO, though **CARICOM** specified that trade should be viewed primarily as an instrument for sustainable development.¹¹ The embrace of “Aid for Trade” has been openly challenged by several **Latin American governments.** **El Salvador,** for example, cautioned against the promotion of trade liberalization as an end in itself, highlighting historical inequalities in the trade system and the need for overarching structural change to amend this trajectory.

The **G77** point out that the WTO and bilateral and plurilateral trade and investment agreements are adversely affecting people’s rights, including the right to development, through various means: tariff cuts in key sectors like agriculture, infant industries and essential services; unfair agricultural subsidy rules; requiring financial investments in natural resources, sensitive goods and services;

¹¹ The Zero Draft “call[s] for an increase in Aid for Trade to developing countries, in particular to LDCs” [para 80].

and, through a longstanding refusal to grant full special and differential treatment to developing countries and LDCs. Agricultural subsidies disbursed by developed countries have negatively affected food producers across the developing world, and have threatened productivity and agricultural growth especially for small farmers.

The harmful impacts of trade agreements and investment treaties on the ability of states to carry out regulations have been well-documented, including the ability to prevent and manage crises, regulate capital flows, protect the right to livelihoods and decent jobs, enforce fair taxation, deliver essential public services and ensure sustainable economic and social development. The Zero Draft commits to “carry out negotiation and implementation of trade and investment agreements in a transparent manner to ensure that trade and investment treaties do not constrain domestic policies to reduce inequality, protect the environment or ensure adequate tax revenues” [para 81]. In light of this urgency, governments must undertake mandatory **human rights impact assessments** of multilateral, plurilateral and bilateral trade and investment agreements, especially North-South agreements, focusing in particular on the rights to development, and the specific rights to food, health, and livelihoods, taking into account marginalized groups.

The severity of development challenges imposed by bilateral investment treaties and free trade agreements is acutely highlighted by the **investor-state dispute settlement mechanisms**. The investor-state-dispute-settlement clause allows transnational corporations to sue governments in closed-door international arbitration cases for extraordinary financial sums. This phenomenon is freezing public interest policy regulation worldwide. Most developing country governments lose these cases due to lack of adequate financial resources to fight. More than 50% of these cases are in the area of natural resources, threatening access to clear water, air, and land, and preventing environmental sustainability and conservation. They also disproportionately punish women and children, indigenous and local communities, and the

elderly. The Zero Draft includes a welcome commitment to “strengthen safeguards in investment treaties, especially by proper review of investor-state-dispute-settlement (ISDS) clauses, to ensure the right to regulate is retained in areas critical for sustainable development” [para 81]. It must be noted that UNCTAD is already organizing consultations with member states to review investment agreements towards bringing them in line with sustainable development objectives. The FfD3 conference should give this UNCTAD mandate a boost, particularly since UNCTAD XIV is coming up in 2016.

An **enabling international environment for development** is one that allows every country to pursue development objectives according to their own priorities with policies of their own choice. To have this policy space, it is necessary to reform multilateral and bilateral arrangements to allow developing countries to use as many economic policies as developed countries used during their own economic growth, social development and industrialization.

According to **Regions Refocus 2015**, trade should provide developing countries with the tools and policy space to enhance their economic capacity through generating greater value-added, diversification, employment, gender equality, public services, and sustainable development. An equitable trading system must address the structural impediments embedded in existing trade agreements that limit developing countries’ policy space to equally compete with developed countries. Rather than espousing open market policies without safeguards or specificity, governments must advance strategic regional integration in trade agreements.

Regional Civil Society Proposals

- Trade agreements must not supersede national constitutions and legislation, and must not allow infringement by corporate actors on human rights or on national policy space. Multilateral mechanisms must subject investors and transnational corporations to legally binding norms and standards. ([Pacific Joint Statement](#))
- Trade regulations must be reformed, to amend global rule-setting that favors major trading countries to the detriment of economic policy and development in the Caribbean and elsewhere. ([Caribbean](#))
- Prohibit trade and investment agreements and PPP contracts that handicap the capacity of the state to regulate foreign investors in the best interest of the government and its people. ([Southern Africa](#))

E. Debt and Debt Sustainability: *multilateral restructuring or vulture culture?*

On external debt, **developed countries**, especially the **US**, argue that the UN as an institution is an “inappropriate” venue for discussing structural issues, preferring instead to keep the debt discussion squarely within the remit of the International Monetary Fund (IMF) and the OECD, institutions marked by undemocratic governance where developing countries have little voice and the US has veto power (in the IMF).

Japan and **Singapore** oppose the **legal framework for sovereign debt restructuring** that is being discussed by the UN General Assembly. The **G77**, **CARICOM**, and **African Group**, on the other hand, highlight the urgency of establishing an international debt resolution mechanism: a multilateral legal framework to guarantee just and equitable treatment for creditors and debtors.

The FfD3 outcome document should ensure that developing countries achieve debt sustainability through debt financing, debt relief, and debt restructuring. Goal 17 on means of implementation in the [SDG outcome document](#) addresses debt sustainability in exactly this way, and adds the need to address highly indebted poor countries (HIPC) as well. **The link between developing countries’ ability to implement the SDGs and debt servicing should be made explicit in FfD3**, in that debt sustainability analyses should incorporate the impact of debt servicing on the realization of the SDGs as well as the public financing necessary to fulfill the SDGs in developing countries. This would constitute a core aspect of MoI for the post-2015 agenda, and is consistent with the Monterrey Consensus (para 49).

The UN General Assembly (UNGA) has adopted by majority vote **a resolution to discuss debt restructuring through an ad hoc debt committee**, which must be explicitly recognized by the FfD3 outcome document as a legitimate forum already underway. The current language in the [Zero Draft](#), which “take[s] note of the

ongoing work at the IMF, UNCTAD, and the UN in this area” is very problematic and must be rectified. The FfD3 zero draft **must** specifically mention the work of the UN General Assembly on the multilateral framework for debt restructuring. Further, there must not be a new call for an experts committee or process within the UN on sovereign debt, without first recognizing the UNGA process that already exists and is already discussing and formulating proposals for debt restructuring with the inclusion of debt experts, lawyers and academics across all sectors, including civil society.

An international and legal mechanism for orderly debt restructuring is urgent to address in the wake of devastating sovereign debt crises that are triggered by boom-and-bust financial crises. The aim of debt restructuring is to accord a “fresh start” to the burdened country, so that financial meltdown and protracted balance-of-payments problems can be prevented in that country. The aim is also to replace ad hoc, disorderly and often chaotic negotiations between insolvent debtors and their creditors in order to safeguard the interests of both sides and to remove the legal vacuum that allows the so-called vulture funds to seek unjustified benefits at the expense of both debtors and creditors.

During the first session of the ad-hoc committee on debt restructuring in February 2015, the statement of the **G77 and China** stressed that a multilateral legal framework for sovereign debt restructuring is the missing link to facilitate increased efficiency, stability and predictability of the international financial system, which is critical for achieving sustained, inclusive and equitable economic growth and sustainable development, in accordance with national circumstances and priorities. A key objective of a multilateral debt restructuring mechanism should be to avoid liquidity crises from turning into solvency crises. In an insolvency situation, a key objective should be to ensure that outcomes restore the basis for future growth and access to credit markets.

If the Addis Ababa outcome is to be part of the means of implementation for the Sustainable

Development Goals, then it should incorporate the means by which growth and renewed access to external finance can be afforded to countries in a situation of sovereign insolvency. There should also be an explicit reference to the sovereign debt workout resolution ([Res. 68/304](#)) adopted by the UN General Assembly, to stress this important initiative. It is also very important to ensure that debt sustainability analysis takes into account what needs to be done by governments and their capacity to meet the SDGs. This is particularly important given that currently, many developing countries are now going through or will be entering into a debt crisis and turning to the IMF for crisis loans.

F. Systemic Issues

The Monterrey Consensus explicitly agreed on the need “to strengthen the United Nations leadership role in promoting development” as a means to “enhance coherence, governance, and consistency of the international monetary, financial and trading systems” [para 52]. The FfD3 process has yet to reaffirm this agreement, however, with countries including the **US** and **Japan** questioning the “appropriateness” of the UN as a venue to reform global economic governance. This push to confine [the design of global macroeconomic rules](#) to spaces such as the Bretton Woods institutions is being strongly contested by the **G77 and individual countries of the global South**.

Financial markets and institutions must be regulated to ensure global financial stability and to contribute to financial stability, inclusivity and optimal functioning at national levels. This includes allocating finance to local development needs, in particular essential social services, along with regulating capital flows to prevent or minimize destabilizing and volatile cross-border flows of short-term capital, including by encouraging reserve-issuing developed countries (e.g. the United States, the European Union and Japan) to impose controls over their destabilizing capital outflows to developing countries.

Systemically important financial institutions (e.g. large international banks and credit rating agencies) must be brought under regulation and supervision of an independent multilateral agency. Speculation must be controlled and regulated in the commodities markets, including through ensuring favorable terms for commodity-dependent developing countries in contracts with transnational corporations to enable them to add more value to commodities and obtain more revenues from commodity-related activities.

The **G77** repeatedly advocates for [the reform of international financial institutions](#) (IFIs) to increase the voice and representation of developing countries. Additionally, the international monetary system must be reformed, including by addressing the shortcomings in the exchange rate and the international reserves systems through increased and strengthened international monetary cooperation, establishing mechanisms to bring greater stability to exchange rates of reserve currencies (e.g. the US dollar, Euro and yen) and preventing competitive devaluations and currency wars such as those seen during the recent financial crisis.

The allocation of [Special Drawing Rights \(SDRs\)](#) should occur on a regular basis and be increased in quantum, according to development need rather than IMF quota. Having SDRs as the main international reserve asset would not only be less expensive and more effective compared to the US dollar, but could also provide a buffer to stabilize foreign exchange reserves and secure macroeconomic stability in times of financial crises.

[Regions Refocus 2015](#) asserts that the post-2015 sustainable development agenda must integrate transformative changes to global governance systems and to national policy choices, to achieve development and to overcome the challenges of inequality, exclusion, and vulnerability. This necessitates a shift towards a model centered on enhancing national productive capacities that require an enabling trade and investment architecture, a revision of the redistribution policies and the adoption of social policies that

puts peoples' economic and social rights at the forefront.

Regional Civil Society Proposals

- Reform the international financial architecture, to bring the Bretton Woods Institutions back under the oversight of the UN and thereby address financial volatility, debt, and austerity policies in the aftermath of the recession. ([Arab States](#))
- Harmonize multilateral economic and trade arrangements, and democratize global governance to expand space for African states' decision-making. ([Southern Africa](#))
- Strengthen the language of development economics and economic governance, against the continued emphasis on foreign direct investment and a deliberate blindness regarding global structural inequalities that prevent adequate mobilization of domestic resources in global South countries. ([Caribbean](#))

G. Technology, Innovation, and Capacity Building

An additional section (G) included in the [Zero Draft](#) focuses on technology, innovation, and capacity building; and monitoring, data and follow-up. Many countries, especially developed ones, welcome the inclusion of these two sets of issues, which were not addressed as separate elements in the Monterrey Consensus, emphasizing the potential of data to enable collective action and spur innovation. Despite reservations about shifting away from the original FfD agenda as outlined in Monterrey and Doha, several developing countries welcome this renewed emphasis on the **transparency and accountability of data and reporting from corporate actors**, in particular multinational corporations with subsidiaries in developing countries.

Technology transfer is a major means of implementation and has been a pillar of global partnership and cooperation. This is also recognized in Rio+20 and its predecessors, the Johannesburg Program of Action and Agenda 21. In the SDG negotiations, the **G77** emphasized that public financing and transfer of appropriate technology by developed countries to developing countries are the key components of means of

implementation. Affordable access to and transfer of the appropriate technology is required for almost all the SDGs.

With regard to **intellectual property rights (IPRs)**, developing countries need exemptions or amendments to IPR rules in order to be able to develop endogenous technologies, innovations and services related to sustainability. Without such cooperation on technology and intellectual property rights, "sustainability" may risk becoming a proxy for developing countries increased dependency on technology imports and purchases. (See [Section D](#) above.)

Technology provisions in FfD3 must not disproportionately refer to developing countries' ability to procure medicines from developed countries. Rather, the Addis outcome must support research and development (R&D) and innovation incentives in developing countries. Stakeholder initiatives for technology must not turn the UN into a multi-stakeholder forum; rather, technology platforms should be developed in consultation with member countries.

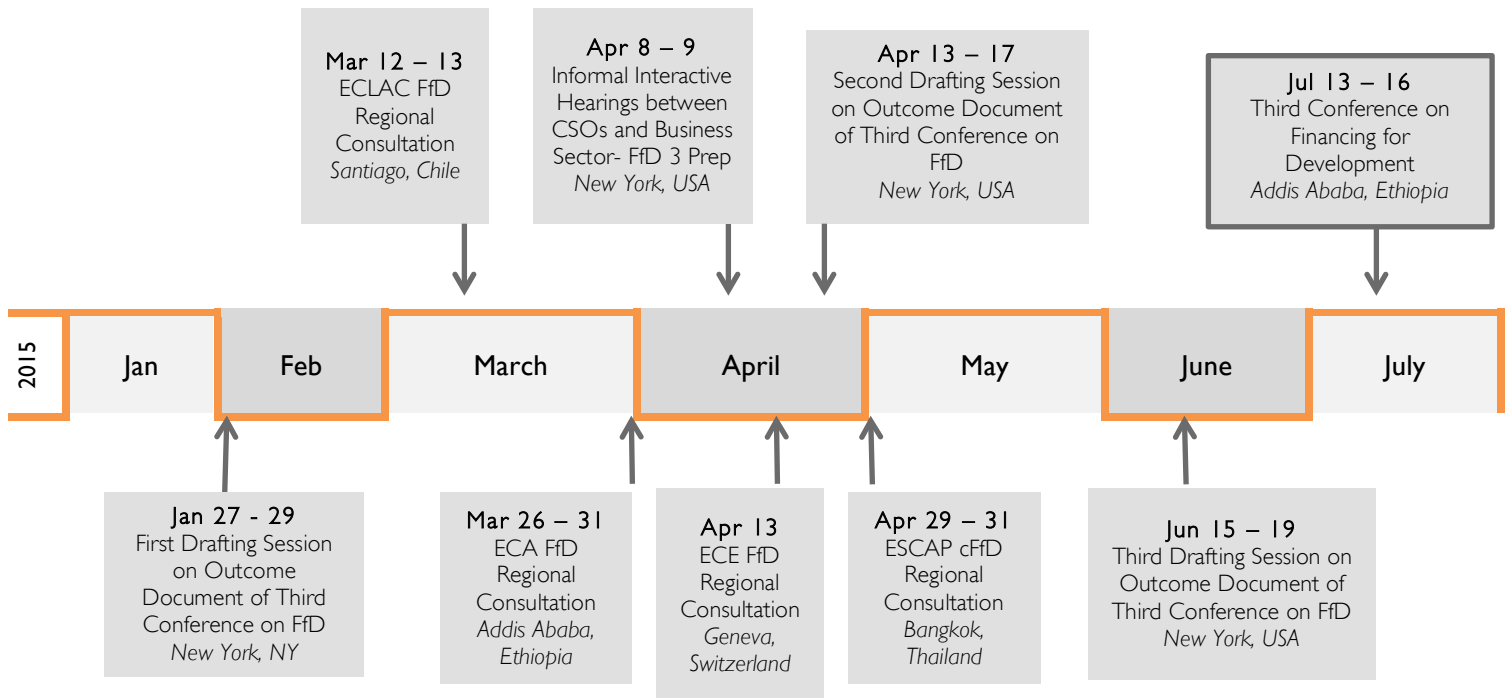
Towards the Addis Ababa Accord

Over the final stages of the FfD3 process (see below for **Timeline**), governments of North and South must work together to arrive at an agreement that responds to a reality where action, including responses to the financial crisis, have so far been too little and too piecemeal. The outcome document adopted in Addis Ababa needs to ensure concrete deliverables in financial resources, technology and capacity building. International systemic and development financing reforms are fundamental to facilitating the urgent work of structurally transforming a world entrenched in economic inequalities, social injustices, and environmental degradation into one that can start healing toward equity, justice, and life.

Timeline

The preparatory process for FfD3 began in October 2014. Under the auspices of the President of the 69th session of the UN General Assembly, this process consists of:

- **Substantive informal sessions** (November-December 2014)
- **Informal interactive hearings** with civil society and the business sector (April 2015)
- **Drafting sessions** on the outcome document of the conference (January, April, and June 2015)
- **Regional consultations** convened by the UN Regional Commissions (March-April 2015)
- **Third International Conference** on Financing for Development (13-16 July 2015, Addis Ababa)



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