



Civil Society FfD Mechanism Submission to FfD4 Elements Paper

15th October 2024

The FfD process, since its inception, aimed to expand the policy and fiscal space of developing countries so that they could advance and finance their development in a sustainable manner. FfD4 should therefore generate actionable multilateral decisions for the removal of the systemic and structural impediments to transformation and the re-design of global economic governance to promote truly democratic multilateralism.

I. A GLOBAL FINANCING FRAMEWORK

A global financing framework should include commitment to the following:

Principles

- Right to Development
- Common but Differentiated Responsibilities (CBDR)
- Human rights and gender equality
- Reparative justice for colonialism, slavery and ecological debt owed to the Global South
- Principle of non-retrogression to ensure FfD4 outcome builds on previous FfD decisions.

Cross-cutting Issues:

- Address inequality between and within countries
- Recognise women's unpaid care work as the backbone in reproducing and sustaining societies and economies, which acts as a shock absorber in times of crises
- Adopt and implement comprehensive, sustainable, universal care systems seeking to transform the gendered and racial division of labour
- Overcome the GDP-growth-centric-model by developing multidimensional and intersectional metrics that capture wellbeing, ecological and social prosperity
- Finance all aspects of social development, specifically health, education, energy, water and sanitation, prioritizing public investment over private to fulfil the right to care and achieve fairer societies
- Guarantee universally accessible, quality gender transformative public services, infrastructure and social protection
- Ensure fiscal space and scale up international cooperation for decent jobs creation and universal social protection in line with SDGs and ILO standards
- Promote the social and solidarity economy and human rights economy for sustainable development

II. ACTION AREAS

a. DOMESTIC PUBLIC RESOURCES

Overarching element for the FfD4 outcome document: Inclusive, comprehensive and effective international tax cooperation

A UN Framework Convention on International Tax Cooperation (FCITC) constitutes a key opportunity to create a fairer and more inclusive global tax system that supports all countries, and in particular developing countries, in mobilizing domestic public resources.

The Terms of Reference (ToR) for a UN FCITC, adopted in August 2024, holds commitments that will promote implementation of the AAAA and the SDGs. This includes commitments to reform the global corporate tax system; fair allocation of taxing rights between countries; taxation of high-net worth individuals; tax cooperation on environmental challenges; and strengthening the links between tax and fulfillment of States' human rights obligations.

Through the FfD4 outcome document, all UN Member States should:

“Endorse the Terms of Reference for the negotiation of a new UN Framework Convention on International Tax Cooperation and two early protocols by the end of 2027, and commit to engaging constructively and in good faith in the UN Tax Convention negotiations going forward.”

About the UN Tax Convention ToR:

In 2023, an overwhelming majority of Member States (125 for, 48 against, 9 abstentions) voted in favor of negotiating ToR for a UN FCITC. The ToR was negotiated through a transparent and inclusive Member State-led process from February – August 2024, through a UN Ad Hoc Committee, and with all UN Member States participating on an equal footing. The ToR was adopted by an overwhelming majority in the Ad Hoc Committee in August 2024. However, while 120 countries voted in favor, 8 countries voted against and 44 countries abstained.

Relevant existing FfD Commitments:

The AAAA includes a commitment to “*scaling up international tax cooperation*” (para 27), and that “*efforts in international tax cooperation should be universal in approach and scope and should fully take into account the different needs and capacities of all countries, in particular least developed countries, landlocked developing countries, small island developing States and African countries*” (para 28).

Specific element – progressive tax systems

In the FfD4 outcome document, the Member States should also reemphasise their commitment to “*progressive tax systems*” – in line with the AAAA – as follows:

“We commit to ensuring that tax systems are gender-responsive and progressive and serve to address systematic imbalances that have facilitated the unfair distribution of taxing rights away from developing countries, as well as reduce inequalities, both within and between countries, and support the fulfillment of States’ environmental and human rights obligations, including in relation to women’s rights.”

Relevant existing FfD Commitments:

The AAAA states: “*We commit to enhancing revenue administration through modernized, progressive tax systems, improved tax policy and more efficient tax collection*” (para 22).

b. DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE

Recommendation: Agree on a UN intergovernmental process to review and transform the governance and mandate of International Financial Institutions and Multilateral Development Banks.

Such a process must:

- Overhaul IFIs and MDBs’ missions and visions, as well as their policies and practices to build more inclusive, transparent, accountable and democratic institutions, with a rights-centered

approach to development and a focus on public investment and ownership of public goods, responsive to national and regional dynamics.

- Transform the global financial architecture for development, empowering national development banks to better serve national development needs.
- Abandon the one-dollar, one-vote governance structure of IFIs and MDBs, and the current promotion of private finance-first and market-oriented approaches to development. They have proven to be inconsistent with democratic principles and incoherent with sustainable development, the rights of working peoples and especially women's human rights, including universal and high quality public services.

FfD4 is the moment to agree on bringing UNGA leadership to the discussion on the role of IFIs/MDBs and holding them accountable to all member states. AAAA set precedent on language around a *process concerning MDBs and their role*, in “encourag[ing] the multilateral development finance institutions to establish a process to examine their own role, scale and functioning to enable them to adapt and be fully responsive to the sustainable development agenda,” but current experience has proven self-initiated reforms to be lacking given governance and inclusivity issues in IFIs and MDBs.

Recommendation: Establish a UN intergovernmental process to review the sustainable development outcomes, fiscal, labour and human rights impacts of public-private partnerships (PPPs), blended finance and other financing instruments established to leverage private finance.

- Financing instruments such PPPs, blended finance, bonds, debt swaps and guarantees, may divert public resources that would support much needed universal and high quality public services, and be expensive and risky for the public purse and for the people, increasing public debt as well as ultimately private/household debt. They can also cause systemic harm in social areas where market principles fail, such as in health, education and water, and come with negative impacts for communities and the environment, including undermining women's human rights. They can also lack transparency and undermine democratic accountability.
- Given the proliferation of these instruments an independent review can shed light on how to apply rigorous government regulation of private actors and high transparency standards. As included in paragraph 48 of AAAA, careful consideration should be given to the appropriate structure and use of blended finance instruments.

Recommendation: Constructively engage in the ongoing process towards a legally binding instrument to regulate, in international human rights law, the activities of transnational corporations and other business enterprises - UN Treaty on Business and Human Rights.

- Robust regulation of businesses, including the financial sector, are needed to ensure consistency with human rights standards and accountability for rights violations, especially to women in the Global South. Regulation should include, among others, social and environmental safeguards; mandatory environmental and human rights due diligence; and democratic and meaningful consultation and complaint processes, inclusive of women, youth, and Indigenous Peoples.

c. INTERNATIONAL DEVELOPMENT COOPERATION

Recommendation: Agree on establishing a UN Convention on International Development Cooperation (UN Convention on IDC)

FfD4 offers an opportunity to establish a new normative framework putting International Public finance at the heart of a new International Financial Architecture. A framework which addresses governance, norms and rule creation; democratises global decision-making spaces; and defines the purpose, impact

and effectiveness of development cooperation. It must be grounded in the Right to Development. **A UN Convention on IDC must:**

- **Establish norm and rule setting on use and flow for development cooperation and democratise the governance of IDC.** A UN member-state process towards a Convention could ensure coherence between all forms of development cooperation and provide a normative space that brings together all relevant actors to shape policy and take decisions. The UN Development Cooperation Forum could play an important role if given the appropriate authority and mandate¹.
- **Reframe the narrative surrounding IDC from a perspective of charity to one of justice and reparations, recognizing and addressing historical injustices.** IDC exists within a global economic and political framework that perpetuates inequalities between and within countries. Countries in the Global North possess both the resources to provide financial and technical support and the moral responsibility to help bridge these global inequalities.
- **Establish the UN target for 0.7 GNI as a floor on aid quantity while recognising the trillions in unmet aid/ODA commitments as a debt owed to the Global South.** Commitments, from the 0.7% GNI quantity² have rarely been met³. Undisbursed ODA flows owed to the Global South is estimated to be almost USD 7.2 trillion to date⁴ – converting these unmet commitments to an unpaid ODA debt could provide fiscal space necessary to finance poverty eradication and address inequalities.
- **Ensure universalising the principles for development effectiveness.** The origins of development effectiveness agenda can be traced to the Monterrey Consensus, which first recognised that National development strategies must have primacy to ensure needs-based (instead of donor-driven) allocations and alignment of development cooperation flows. The effectiveness agenda is at a crossroads and the UN has a role to play in revitalizing and universalising this agenda.
- **Ringfence of ODA for poverty eradication and addressing inequality.** New instruments and tools have diverted ODA from its original vision and mandate. These changes must be reversed and a universal mandate of development cooperation for addressing poverty and inequality must be restored.

d. INTERNATIONAL TRADE AS AN ENGINE FOR DEVELOPMENT

Recommendation: Multilateral agreement for the coordinated and permanent cessation of Investor-State-Dispute-Settlement (ISDS) provision in international investment agreements (IIAs)

- The ISDS clause in IIAs have allowed foreign corporations to sue national governments in secret, international arbitration cases for important policy actions. This has resulted in a chilling effect on national policy space, at the expense of women with informal and precarious work, and the loss of billions of dollars in these ISDS cases, threatening critical national investments and development progress.
- The system of international arbitration has been opaque and mired with immense conflict of interest; and the threat to national policy space from ISDS can be addressed only with cessation of these unfair, one-sided agreements.

¹ AAAA paragraph 58

² *International Development Strategy for the Second United Nations Development Decade, UN General Assembly Resolution 2626 (XXV), October 24, 1970, paragraph 43*

³ AAAA, paragraphs 51-52

⁴ <https://www.equals.ink/p/the-great-aid-heist>

- Given the multiplicity of IIAs and their legally binding character, only a multilateral decision can regulate the behaviour of foreign corporations and protect broad national development objectives, policies and investments.

Recommendation: Multilateral agreement for non-compliance or breach of existing commitments under trade and investment agreements, including intellectual property rights regulations, if they eliminate or limit policy space for pursuing public policy goals

- The commitments under the trade and investments agreements, whether at the WTO, or under bilateral, regional free trade agreements or investment treaties, have forced developing countries and LDCs to give up on critical public policy goals and tools, particularly those aiming at structural transformation.
- Developing countries and LDCs should be able to violate such provisions and reclaim policy space and the full array of policy tools in circumstances where these commitments conflict with their economic, social and environmental objectives and with public policy goals.

Recommendation: Multilateral agreement that reaffirms, updates and strengthens the principle of special and differential treatment (S&D)

- S&D has been a key underlying principle of the Marrakesh Agreements. Increasingly the principle of S&D has been weakened under bilateral and regional trade and investment agreements. But S&D is facing a threat even in the WTO, both in the design of S&D provisions in new agreements and in full application of already existing provisions. The time is ripe for a reaffirmation and strengthening of S&D provisions in trade agreements.

Recommendation: Ban unilateral trade measures (UTMs) on grounds of sustainability and adopt a balanced and equitable approach to trade and sustainability.

- There is a rise of UTMs including the Climate Border Adjustment Measures and the Deforestation Act which discriminate against developing countries by unilaterally imposing so-called sustainability standards on their exports, which threaten not only their exports but production processes within their economies.
- Developing countries have their own pathways of sustainability based on their economic, social and environmental conditions. Imposing UTMs without their participation forces them to deviate from their chosen and best-suited policy tools.
- Such measures are designed to perpetuate the economic dominance of Global North countries and their corporations. As developing countries transition to greener pathways, they are forced to cut off their own producers and threaten economic and social development by being forced to depend fully on developed country products and services.

e. DEBT AND DEBT SUSTAINABILITY

Recommendation: UN Framework Convention on Sovereign Debt that addresses the necessary reforms in the global debt architecture for the prevention and resolution of debt crises.

- The UN is mandated to address the issue of sovereign debt⁵, as well as the establishment of a multilateral legal framework for sovereign debt resolution⁶.

⁵ Under article 22 of the International Covenant on Economic, Social and Cultural Rights, the Economic and Social Council (ECOSOC) [A/HRC/20/23](#) | [A/HRC/20/23/Corr.1](#).

⁶ [Monterrey Consensus, para 60](#); [A/RES/68/304](#).

- The UN needs to reclaim its role in addressing sovereign debt challenges, away from creditor dominated forums that have failed to establish mechanisms to prevent the accumulation of unsustainable and illegitimate debt and to resolve debt crises, bound to human-rights commitments, including peoples' right to development and gender equality.
- A UN Framework Convention on sovereign debt (hereby Debt Convention), negotiated and agreed by all Member States, in an equitable, inclusive, participatory, accountable and transparent manner, should address the commitment to establish a multilateral debt resolution mechanism, but not be limited to it. The Debt Convention should embody a global consensus on the necessary principles, rules and structures throughout the different interdependent stages of the debt cycle. Primarily, the Debt Convention should establish:
 - A fair and transparent multilateral sovereign debt resolution mechanism, in order to deliver on sufficient debt restructuring and cancellation for the borrowing countries to be able to fulfil its international human rights obligations, achieve the SDGs, ensure gender equality, and implement the necessary climate actions.
 - Principles of responsible sovereign lending and borrowing, and promote legislation, both in lender and borrower countries, that mandates transparent and fair governance and management of sovereign debts
 - New approach to debt sustainability framework and analyses (DSAs), ensuring that the assessment is aligned with human rights, climate and sustainable development needs, including ex-post and ex-ante gender, human rights and environmental impacts assessments and audits to identify illegitimate debts.
 - Automatic debt service cancellation mechanism that protects Global South countries from extreme climatic, environmental, economic, health, food and security shocks, and promotion of debt contract clauses that provide for sharing the risks of climate-related and other external shocks between lenders and borrowers.
 - A binding global debt registry to promote transparency
- Numerous documented instances in the past establish the need for and/or endorse the proposition of a comprehensive debt architecture reform under UN auspices, including UNGA resolutions, reports by UN Independent Expert on Foreign Debt and Human Rights and calls by Member States⁷.

Recommendation: Deliver immediate cancellation of all unsustainable and illegitimate debts, from all creditors, consistent with states' human rights obligations.

- Characterised by exclusionary, profit-driven debt resolution processes, the existing global debt architecture prioritises debt servicing at the expense of human rights, SDGs, gender equality, and climate action. Furthermore, debt cancellation should be unconditional and Member states should agree on eliminating detrimental loan conditionalities that divert crucial resources from ensuring sustained fulfilment of fundamental human rights, SDGs and climate action.
- Several resolutions of the UNGA and HRC reiterate the obligations to ensure that “debt service does not result in violations of human rights and human dignity and does not prevent the attainment of international development goals”⁸.
- Countries in the Global South need debt cancellation today in order to be able to comply with the 2030 agenda and the Paris Agreement and fulfil fundamental human rights obligations.

⁷ [A/HRC/20/23 & A/HRC/20/23/Corr.1](#) ; [G77 \(2015\)](#); [Malawi \(on behalf of LDC Group\) and Jamaica \(on behalf of CARICOM\) at UNGA 2019](#) ; [AOSIS Statement on Debt \(2020\)](#); [G77 and China \(2024\)](#); [Africa Group \(2024\)](#).

⁸ [A/HRC/40/57](#) and [A/HRC/20/23](#).

f. ADDRESSING SYSTEMIC ISSUES

Key Recommendation:

1. Establish a universal, intergovernmental ECOSOC Commission to regulate Credit Rating Agencies (CRAs)

- There is widespread agreement on the need to regulate CRAs. While this is a long-lasting issue, recent pandemic and debt crises exposed the current dysfunctionalities, from a developing country perspective, in terms of bias and pro-cyclicality in ratings, market concentration and dominant position, and conflicts of interest. Current debates are largely focused on soft interventions and voluntary measures, often with the direct participation of those same market actors that need to be regulated.
- The UN should lead in furthering CRA supervision and regulation, including ESG rating bureaus, by convening a universal, intergovernmental commission under ECOSOC to examine needed international institutional innovations required to correct and avert the adverse impacts of CRAs.
- Beyond the inadequacy of CRAs rating methodologies and bias in implementation that undermine developing countries' access to capital markets and increase their borrowing costs by inflating risk premiums, CRA regulation also need to focus on issues such as conflicts of interest, promoting competition to avoid quasi-monopolistic market dynamics.
- The Commission should also further study proposals such as establishing an international public credit rating agency at the UN to provide more transparent and equitable assessments of creditworthiness.

Other Recommendations:

2. Global agreement on the critical importance of capital account management to prevent capital flight, limit speculative trading and arrest declines in currency and asset prices.

3. Establish a UN framework to adequately regulate and supervise financial institutions, including non-banking financial institutions and hedge funds.

- The current monetary and financial frameworks undermine economic, monetary and financial sovereignty of developing countries, trapping them into currency hierarchies, liquidity challenges and tight monetary policies that restrict their policy and fiscal space for structural transformation and economic diversification, with real-economy effects on the cost of living, employment opportunities and social expenditures. It is unacceptable that developing countries operate under such sovereignty limitations and have no agency in re-shaping these frameworks from their developmental perspective.
- Past financial crises not only represented a massive failure in macroeconomic and financial regulation but also exposed the significant vacuum in governance over financial actors, particularly non-banking actors. Yet, the asset management industry has grown exponentially since the last crisis, generating an even higher systemic risk for global financial instability.
- It is essential for all UN Member States to assess the current system from both developmental and global financial stability perspectives and undertake decisive steps towards financial regulation, recognizing the limitations of voluntary non-binding measures. In addition to CRA regulation, a global agreement on the importance of capital account management and a global regulatory framework for the asset management industry are critical steps forward in this direction.

g. SCIENCE, TECHNOLOGY, INNOVATION AND CAPACITY-BUILDING

Recommendation: Establish a UN intergovernmental global technology assessment mechanism

- Establish a transparent and participatory global mechanism to evaluate the impacts of digital technologies on society, including on workers and women. Such mechanism should be broad, transparent, inclusive, accessible, and allow for participatory technology risk assessments that involve those who will be impacted by digital technologies. These risk assessments should be done prior to and during the development of digital technologies, as well as during their deployment for use. The risk assessments should consider potential environmental, social, health and other impacts of technologies on society, especially women and other marginalised sectors.
- Establishing a Global Technology Assessment Mechanism at the UN can ensure transparent and inclusive deliberations on the impacts of digital technologies and facilitate multilateral cooperation to ensure the common good remains as the ultimate goal and takes precedence over profits when developing and applying digital technologies.
- This includes regulation that should apply to the development, deployment and equitable distribution of benefits of digital technologies such as cryptocurrencies and their trading, as well as AI, which can have profound adverse impacts on the environment, human rights, as well as developing countries' prospects for sustainable development.

III. EMERGING ISSUES

Recommendation: Acknowledging the serious environmental crises that threaten life in the upcoming years, and the little time humanity has to tackle these, the FfD process should promote structural transformations instead of promoting economic growth, one of the causes of the crises. A reform of the Global Financial Architecture must be in line with ecological and climate standards, to promote the stability of the biosphere and bring all planetary boundaries back to a safe zone.

- The current capitalistic system based on the systematic plundering of resources and concentration of wealth for the few has led us to transgress 7 out of 9 planetary boundaries. The economic and financial system should aim: a) to transform the way we produce and consume, while investing in vibrant local economies centered on the wellbeing of people and the planet; and b) to reconstitute the ecological balance.
- The logic of exponential economic growth lies in a premise of coloniality, given that the existing structure of the world economy is such that production in the Global South is mobilised disproportionately around servicing capital accumulation in the North, to the detriment of the biosphere's integrity and standards of life in the South.

Recommendation: Climate and environmental finance must be scaled up and commitments met in their entirety by historical climate and ecological debtor countries from the Global North, while funding should be additional to already existing ODA commitments. We demand an urgent provision of adequate, high-quality, new and additional, public, grants-based climate and environmental finance, with direct access to the most vulnerable groups.

- Climate and environmental finance should center principles of Common But Differentiated Responsibilities (CBDR), equity, fair shares, human rights, gender equality, ecological integrity and system change, and guarantee direct access windows, especially for those groups that are in the frontline of the crises.
- Within the unfulfilled 100-billion-dollar annual pledge, climate finance is unfairly increasing debt levels in Global South countries as 70% of international public climate finance is being delivered through loans tied to conditionalities with high interest rates. Loans are not needed to address the environmental crises. Rather, we need debt restructuring, debt cancellation, and public grants.
- Debt for nature swaps are not the solution as they do not provide real relief for the debtor country's financial burden nor do they provide the resources needed, in addition to being surrounded by lack of transparency and accountability, and little participation by the affected communities. To “outgrow” debt is not a solution either, as it would imply a vicious circle to rely on a predatory dynamic prioritizing economic growth above people and planet.

IV. DATA, MONITORING AND FOLLOW-UP

Recommendations

1. Member states should move away from *inter-agency* to strengthening *intergovernmental* review of the implementation of the FfD agenda

- As much as we appreciate the cooperation with the FfSD Office, we have been very critical of the work of the IATF because of its internal power asymmetries and political economies. The IATF is failing on its mandate by providing a biased report annually reflecting the internal politics of the agencies & institutions, rather than a politically neutral and relevant assessment of progress, gaps and recommendations.
- When discussing IFA reform, there is an obvious conflict of interest in the IATF to lead the work. The core struggle of the FfD process is that of democratizing global economic governance and establishing a more democratic governance ecosystem centred around the UN. Some of the big powers behind the IATF are clearly out of sync with such a focus and rather stand to defend the institutional status quo. The path breaking decision to initiate the tax convention process has been taken despite the IATF process (which includes the OECD) rather than thanks to the IATF process.
- Member states should instead further **strengthen intergovernmental negotiations** and review of the implementation of the FFD agenda.

2. Agree 5th FfD conference in 2030 to provide certainty in the follow-up timeframe.

This document has been collectively developed by the Civil Society Financing for Development (FfD) Mechanism, a broad platform of civil society organizations, networks and federations from around the world, that followed closely the FfD process since its origins, facilitated civil society's contribution to the 3rd FfD conference, and continues to provide a facilitation mechanism for the collective expression of civil society in the FfD Follow-up process. More information can be found on the Civil Society FfD Mechanism's website: <https://csoforffd.org/>