

Civil Society FfD Group's Comments to the FSDR Report 2020

This document has been collectively developed by the Civil Society Financing for Development (FfD) Group (including the Women's Working on FfD), a very broad platform of civil society organizations, networks and federations from around the world, that followed closely the Financing for Development since its origins, facilitated civil society's contribution to the Third International Conference on Financing for Development, 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 Group's website: <https://csoforffd.org/about/>

While the group is diverse and positions might differ on specific issues, this document expresses the elements of common concern.

Overview and key messages

Overall, the Civil Society FfD Group appreciates the work done by the IATF and concurs with many of the analysis exposed by the latest FSDR Report. More particularly, the IATF urgent call to “arrest the backslide” is extremely appreciated, even if some important elements are missing from the analysis, such as the exacerbation of conditions of commodity dependence and the continuous bleeding of potentially critical fiscal resources for the South due to insufficient, and often false, attempts to tackle illicit financial flows.

We are, however, doubtful with respect to the IATF call to accelerate the transition towards sustainable finance, through digital technologies and harnessing sustainable investing. First of all, such a framing assumes that the transition has started and, unfortunately, we cannot concur with this assumption. On the contrary, the current pattern of hyper-globalization is closely intertwined with increasing levels of financialization, which continues to extract wealth from Southern economies, syphon out resources from productive investments in the real economy and shift decision making on key investment decisions, including on critical infrastructure, away from legitimate democratic spaces. In this context of inadequate regulatory frameworks, an increased focus on digital technologies and private investments as key financing modalities to achieve developmental objectives may generate uneven, if not devious, outcomes. However, the elements presented by the IATF are certainly relevant and well-articulated, while failing to capture the broader dynamics within which they need to be located for them to become fully relevant.

The Global Economic Context and Its Implications for Sustainable Development

We appreciate the quick re-adjustment of the global economic context to showcase an initial assessment of the economic and financial implications of the COVID-19 pandemic. The references to the need to tackle the inequalities and climate challenges are also extremely welcome.

Indeed, the world is confronted with a human crisis of inestimable proportions, which will impose its heaviest tolls on the marginalized and most vulnerable. Once again, women will be exposed to multiple burdens, being under/un-paid and overrepresented in care, social, domestic, frontline health and food systems roles, as well as in the informal economy and small enterprises. The health emergency is triggering multi-layered economic and financial crises, all rooted in patterns of hyper-globalization that amplified structural disparities and ossified a global division of labour focused on the extraction of wealth and resources from the Global South. The pandemic exposes the depth of the inequalities within and between countries and the consequences of decades of de-regulation, undermining of public health systems and lack of progress on universal social protection, financialisation and corporate concentration, all of which have been incentivised by the “private first” policy inclinations that dominated the strategies and programmes of global economic governance institutions over the past decades.

As the IATF deepens the analysis in view of its next Report, we encourage due consideration of the following understandings of the crisis:

- **The crisis is primarily a human/social (health, food, education, care, social protection) and real economy (jobs, domestic productive fabric, infrastructure) crisis**, in a global economy already trapped by widening inequalities (stagnation of global demand and declining share of wages over GDP, excessive liquidity, limited access to credit for productive activities). Any future assessments, as well as the measures to contrast the risk of a deep economic depression, need to be driven by the analytical framework of inequalities and by the recognition that no economic upturn can be achieving without significant impact on the levels of decent work and real wages across all social groups and a significant strengthening of public services and systems. This would require a much more active governmental role in the economy, including by making labour markets more secure and equitable, actively promoting redistribution of income and wealth, and ensuring basic incomes and adequate universal social protection;
- **The depth of gender inequalities**, as the crisis generates, once again, a multi-layered, intensified burden on women, considering all social roles where women are over-represented and un/under-paid, from social reproduction to care, from daily wage earners to small business owners, from food workers to food distribution. Women make up 70 per cent of frontline workers in the health and social sectors, like nurses, midwives, cleaners and laundry workers. This exposes how **unpaid domestic and care work** remains the greatest obstacle for women to access their human rights and the primary origin of economic and productive inequalities stemming from the sexual division of labour;
- **The centrality of domestic “real” economies** and the need for many developing countries to shift the centre of gravity of their economic strategies towards greater economic sovereignty, self-reliance, strengthened domestic productive capacity, and reinforcing domestic supply-demand circles driven by decent work and wage growth. The crisis has exposed the dangerous overdependence on global value chains. Tackling commodity dependence, including the systemic traps induced by the hard currency needs for debt repayments, needs to be at the core of the economic reconstruction agenda;
- **The imperative to redirect resources to strengthen public systems**, primarily but not exclusively related to health, education and social protection, and stop the decades-long undermining of these systems through fiscal austerity, privatization and public-private partnerships. Public services should be considered critical investments rather than liabilities, and the focus should be on how to reach adequate fiscal capacity, rather than on how to scale down services to the currently available one;
- **The unbearable restrictions on the policy and fiscal space of developing countries**, suffocated by illicit financial flows and unsustainable debt burdens as well as limited by multiple layers of policy conditionalities that narrowed the capacity to focus on people-centred, rights-based socio-economic transformation strategies. This means that, beyond short term measures, there is a need to assign utmost priority to finding structural solutions to unsustainable debt burdens and illicit financial flows;
- **The volatility and unreliability of financing strategies based on private investors** and the urgent need to bring global finance back into democratic accountability and service to the real economy, rather than being a siphoning mechanism that extracts wealth, exploits labour, amplifies inequalities and destabilizes the global economy in a pro-cyclical manner.

The next IATF report should explore these dimensions and explore the kind of solutions that are necessary to advance an agenda for reconstruction and structural transformation. In the short-term, for instance, we appreciated that UNCTAD has [called for](#) a \$2.5 trillion crisis package for developing countries that includes:

1. A \$1 trillion liquidity injection i.e. 'helicopter money drop' through reallocating existing special drawing rights at the International Monetary Fund and adding a new allocation;
2. A \$1 trillion debt cancellation for distressed economies;
3. A \$500 billion 'Marshall Plan' for health recovery and disbursed as grants funded from some of the missing ODA long promised but not delivered by development partners; and,
4. Ensuring capital controls are given their legitimate place in any policy regime to curtail the surge in capital outflows, reduce illiquidity driven by sell-offs in developing country markets and to arrest declines in currency and asset prices.

We believe these proposals deserve due attention and careful consideration. As the Civil Society FfD Group, we are also calling for measures such as (among others):

- A debt jubilee with the permanent cancellation of all external debt payments due in 2020 by developing countries, with no accrual of interest/charges and no penalties, and the provision of additional, fresh emergency finance that does not create more debt. Debt cancellation and new financing should be provided free of demands for market-friendly and austerity-focused policy reforms in developing countries, while adequate measures should be put in place to protect developing countries from lawsuits when ceasing 2020 debt payments;
- A process under UN auspices to be agreed in the longer term, to support systematic, timely, and fair restructuring of sovereign debt;
- Governments to put in place urgent economic stimulus plans and workplace measures to protect the health and the income of workers and communities through coordinated multilateral responses to COVID-19, and to expand access to healthcare and social protection. Everybody's life, job and income should be protected, regardless of the employment status (self-employed, gig-economy workers, workers in the informal economy);
- A global ban on short selling among all markets and increase regulation/surveillance of high-frequency trading, along with a global agreement on the importance of capital account management to prevent capital flight, limit speculative trading and arrest declines in currency and asset prices;
- Governments to stop negotiating all trade and investment agreements as their resources are better engaged in fighting the current COVID19 crisis. Any ongoing negotiations, whether at multilateral, regional, or bilateral levels, faces the grave risk of producing outcomes that may be irrelevant and detrimental as the global economy emerges from this crisis. Instead, an alternative trade & investment framework is needed that works for the governments and their people in the medium-to long- term;
- Governments to suspend current OECD BEPS negotiations on taxing of digital economy as that also risks producing outcomes that would be irrelevant to developing country contexts;
- Call on DAC members to immediately reverse the decline in ODA, fulfil and where possible exceed the 0.7% target for ODA in the form of unconditional grants and technical support. We call on donors to ensure that development aid is not diverted, but reinforces humanitarian response to the crisis, to ensure that aid is used where it is most needed and clearly demonstrates sustainable development impact in emergency responses going forward, and to ensure that emergency responses are aligned with developing country priorities without conditionalities. We also call on donors to uphold the integrity of ODA and their development effectiveness commitments;
- Governments to refrain from authoritarian and surveillance measures that undermine human rights and inhibit the capacities of CSO to respond effectively to the crisis.

Gender equality and women's rights (cross cutting analysis throughout the FSDR)

- On gender equity, the approach to the elimination of gender inequities is narrow and does not address the main structural cause, i.e. unpaid domestic and care work as the main macro-economic challenge to gender equality. **The economic inequality faced by women is not a matter of 'income' inequality alone, even less one of 'wage gaps'. While these are definitely crucial, the dimension of unpaid domestic and care work is by far the greatest obstacle for women to fully realize their human rights and highlights how economic and productive inequalities stem from the sexual division of labour;**
- The report reflects narrowly on the concept of 'labour' by equating it to 'employment' or 'paid work', thus making invisible the productive dimension of unpaid domestic and care work. This becomes a limitation when it comes to recommendations, such as in section 6.2 on "Women as producers and traders". There seems to be a misunderstanding that "economic empowerment" of women will come with "promoting access to vocational training and skill certification programmes", not taking into consideration the dynamic flow between private and public lives. An economic agenda should not be limited to 'empowerment' but to the full guarantee of women's human rights;
- Recommendations on enhancing "women participation into the workforce" or "promoting female employment and access to male dominated economic sectors" undermine the real challenges of access to decent jobs. There is a need for a complete review of the approach to labour and collective rights, and even more, again, to the way in which the sexual division of labour shapes inequalities. It is not enough to ask for "women" to be moved to the public sector. There is a broader and comprehensive need that men, States, the private sector, communities and families visibilise, value, reduce and redistribute unpaid domestic and care work;
- Given that gender inequality is a macro-economic challenge, we are disappointed that the IATF is still recommending micro-level solutions, such as cash transfers, that have been deemed discriminatory by ECLAC and other experts. These measures reproduce discriminatory stereotypes of women and men, add extra burden of unpaid domestic and care work on women and, even more, do nothing to address the macro dynamics that are at the heart of the challenge. This is addressed within the 2030 Agenda (target 5.4). It falls definitely within the mandate of the IATF to address this dimension more thoroughly, rather than promoting obsolete, micro and discriminatory measures for half of the population;
- The investment priorities identified for sustainable development do not take into proper account the social infrastructure that women need to be able to be fully and equitably included and contribute to economic development without suffering multiple burdens and work overload (4. Policies for sustainable development);
- On 3.3 on gender equity, the term equity is wrongly used. As the entire text of that section refers, the problem is tackling inequalities, including by special temporary measures (Article 4, CEDAW). But by no means the problem is to be expressed as an "equity" problem, as the CEDAW Committee has been explaining to Member States since 2007;
- The agenda of unpaid domestic and care work and the sexual division of labour are at the root of the wage gap and many other challenges. Since the sexual division of labour is still assigning men as providers, and the economic gendered system replicates this dynamic at the macro scale, it is not a matter of women "catching up in basic capabilities", which is a phrasing almost discriminatory, followed by "progress has been much slower when it comes to more enhanced capabilities that involve greater power and responsibility as well as political and economic leadership". The problem is evidently not one on capabilities, but rather one of unequal gender roles and all related discriminatory stereotypes in which men, States, private sector, communities and families are not visibilizing, valuing, reducing and redistributing unpaid domestic and care

work. Therefore, this is not a problem of “women”. The approach to the problem in the entire section is therefore extremely problematic;

- On domestic resource mobilization, it would be advisable to include inequalities when different types of tax are mentioned, specifying that women are disproportionately affected by taxes on goods and services. Incorporating gender equality is crucial not only from the expenditure side, it should also include a gender approach on the income side. Domestic resource mobilization has a strong correlation to women’s human rights because it allows proper allocation of resources to ensuring them. Abusive tax practices and tax avoidance are a direct threat to this mobilization. On austerity measures, a specific recommendation should be included to assess the specific impacts of these policies on women;
- On FDI, it is being strongly mentioned that there are opportunities for technology transfer, but for Latin America, according to ECLAC reports, FDI do not involve technological transfer, and jobs generated for women remain mainly related to the basic production chain (2.3.3. on Science and innovation chapter);
- The stand-alone gender chapters in trade agreements can do more harm than good as they ignore the fact that women are impacted in multiple ways through trade rules. A true gender sensitive trade policy approach will need a comprehensive assessment of the entire agreement, not only of partner (most often developing) countries’ policies (as Canada’s GRE). It would be essential to assess if the overall agreement is compliant with the development needs of women and their rights. If not, such an agreement must be restructured with adverse provisions dropped. The same goes for the WTO, if it plans to move forward with any gender proposal;
- On technology, the section on gender and inclusion needs to be enhanced beyond statistics around degree completion. It should recognize conscious and unconscious bias in the design of technologies, including digital technologies like AI. Risks emerge from viewing technological systems as being value-free decision aids and social equalizers, because in practice systems created by humans inherently reflect their biases. Examples of this are discriminatory design and algorithmic bias in the context of machine learning, as has been recently addressed in the EU’s GDPR. Building on various Human Rights Council Resolutions, science, technology and innovation should ensure designs sensitive to and inclusive of a broad spectrum of sexual orientation and gender identity. There needs to be more substantive recommendations around cultural and structural barriers that perpetuate gender gaps in science, technology and innovation;
- On Systemic Issues and financial policy interaction to climate change, more analysis is needed on the urgency to support a just transition that promotes human rights, gender equality and environmental integrity. A just transition with gender equality not only requires a larger investment on the processes needed to ensure sustainable and equitable low-carbon development, but should also be mindful that the sexual division of labour has been leaving out women from the new production of jobs in the renewable energy sectors, transport, and others.

Comments on Other Key Messages

- **High sovereign debt payments and Sovereign Debt Restructurings:** Even before the COVID crisis erupted, it was a matter of high concern that many developing countries have been confronted with increasing debt services. The analysis of debt vulnerability should therefore look beyond the crisis. We are extremely concerned by the fact that rising debt payments divert fiscal revenue and reduce amounts available for financing public goods and essential services. The IATF could do a deeper assessment of the current situation’s impact on SDG financing and expose the unsustainability of debt levels, independently from the crisis. There should be a mention of the UN Basic Principles on Sovereign Debt Restructurings and a clear Roadmap on how to move forward;

- **Debt and Human Rights:** The IATF should generally pay more attention to the human-rights impacts of debt crisis and reflect the work done at the UNHRC. Perhaps it would be good if OHCHR or the UN Independent Expert on Debt and Human Rights input into the IATF work. Next year's report could feature the new Human Rights Impacts Assessments of Economic Reform Programmes;
- **Responsible Lending and Borrowing:** It is definitely welcome that this issue is included (p. 153) and that the IATF maps different soft law sets of principles. Civil society work done on this topic could also be mentioned. Moreover, the report could outline a clear Roadmap on how to come to the "global consensus", in order to make progress against the AAAA commitments in this regard;
- **Rising levels of household debt** are mentioned (p.12): It should be stressed that factors contributing to this phenomenon include declining wages or wage shares and the privatization and commodification of essential services. The former implies that people finance consumption increasingly through loans instead of current income from wages. The latter forces people to borrow in order to access services which should be provided as public goods when the aim is to leave no one behind. It has also created whole new asset classes (Student loans / healthcare loans etc) and driven many into debt traps;
- **Levels of Investment:** Even before the crisis, the IATF found that levels of investment are low, and below historical averages. We would like to flag that austerity policies and falling wage shares in many countries reduced aggregated demand and thus also incentives for businesses to invest. The responses to the crisis should factor this adequately;
- **Monetary policy:** It is welcome that the IATF report flags the need to make "QE more people-centred" and flags initiatives that aim to use monetary policy for climate-related policy objectives, such as those by the Greening the Financial System Network (p. 172). It should be further explored how monetary policies could be used more directly for SDG-financing and for stimulating aggregated demand in a socially just manner. It is obvious that the current way QE is done has led to asset price inflation, but not to a stronger and fairer economy. In view of the immediate responses to the crisis, it is essential to advance a critical assessments of QE measures. CSOs have worked on QE through campaigns such as "Quantitative easing for the people", which recommends that money created through QE is spent through governments on infrastructure investment, green technology or as cash transfer to private households. There should also be a redistributive element between countries, hence the civil society's proposals for the IMF to issue Special Drawing Rights with adequate mechanisms to allocate them to developing countries beyond quota limitations;
- **Bonds, volatility, capital flight:** It is good that the report points at the risk associated with capital flight from high-yield bonds (e.g. p. 13). Obviously, COVID-19 has already triggered a rapid wave of capital flight from developing and emerging economies into ostensibly 'safe assets'. The IATF could elaborate further on a) the policy toolbox needed to respond to this and b) the lesson learnt from the Corona-crash for bond issuance and for what financing models governments should pursue.

Thematic Chapter: FSD in an Era of Transformative Technologies

We welcome the IATF's thematic focus on the transformative nature of digital technologies in financing sustainable development. The increasing interdependence and interactions between both the technology and financial sectors urge for comprehensive assessments of the current trends and issues that need to be addressed. The chapter offers a balanced analysis and therefore provides an important contribution to the discussion, recognizing the potential opportunities as well as risks of further widening inequalities. However, we believe the following elements should be considered:

- A deeper inequality analysis within and between countries. The several references to market concentration are appreciated. However, the chapter would have benefited from a deeper analysis of ownership structures, including ownership of data, with a more sophisticated assessment of the role of digitalization as a driver of power concentration and the implications of "data" becoming the new "gold". This includes possible implications of fast-tracking digitalization in developing countries, possibly another form of integration into the global economy where developing countries remain once again relegated to the lower end of the power equation;
- Recognition of other sources of knowledge and innovation outside of digital technologies, even the complementary contributions from diverse knowledge sources, that could be means to promote financing for sustainable development;
- Discussion on challenges and risks involved in financing sustainable development in an era of digital technologies beyond impacts on jobs and livelihoods (in 2.1.1 On jobs and growth), while the basic building blocks are not (yet) in place. The measures that need to be adopted for developing economies not to be put to greater disadvantage in financing sector. It cannot be overemphasized that these basic building blocks (i.e., infrastructure, education, policy/regulations) are fundamental to realizing the potentials and overcoming the challenges and risks of digital technologies;
- Developing the capacity of countries, institutions and communities to assess the potentials, impacts and risks of digital technologies and their application on social, environmental and economic parameters need to be included as a basic building block in order for potentials to be realized and for challenges to be addressed;
- Interrogation of "inherent inclusiveness" of digital technologies vis-a-vis the vision of the SDG "to leave no one behind" particularly in financing for development. With the current domination of big tech companies in AI and fintech, how and how far can digital technologies contribute to closing economic and structural inequalities towards achieving the SDGs?
- We appreciate the explicit reference to the energy footprint of 24h online connectivity. However, the environmental footprints of digital technologies also include the extraction of raw materials (i.e., metal and minerals, rare earth) to produce energy efficient batteries, superconductors and super computers needed to churn big data and run AI and data centres. Another key impact of digital technologies is the handling and disposal of electronic wastes from computers and hardware as well as the waste and pollution involved in production, deployment and transportation of goods and services associated with application of digital technologies;
- The COVID crisis is likely to advance the adoption of new technologies on several fronts, in the absence of adequate normative frameworks and safeguards, and significant equity issues (i.e. education). This might include dangerous developments in advancing new models of surveillance states. The implication of on democratic governance and civil liberties should be included in the COVID analysis in the next IATF report;
- Overall, the need for much stronger and comprehensive normative frameworks - internationally, regionally and nationally - cannot be overemphasized.

Chapter III.A. Domestic public resources

Overall comments – gender mainstreaming in the report

- It is positive that the report includes gender aspects in the assessments on tax administration (section 2.2) and expenditure and strategic procurement in public budgets (section 5.2.3). However, we believe that **gender aspects should be further mainstreamed in the report**. For example, in the section on taxation trends (section 2.1), we believe it is important to include assessments of the gender bias present in different types of taxes, such as personal income tax, consumption tax, and wealth tax. In the section on Medium-term revenue strategies (section 2.1.1) we believe it is important to stress that gender objectives and concerns should be directly integrated in the planning, and that gender groups should be consulted in the process.

2.1 Taxation trends and medium-term revenue strategies

Comments on the section about Taxation trends (page 46-50)

- One important problem with using “Tax per GDP” as an indicator is that it fails to distinguish between progressive and regressive taxation. Whereas progressive taxation is a key tool to promote development and reduce inequalities, regressive taxation can have the opposite effect. We therefore believe that the report should **stress the importance of ensuring progressivity in the tax system**, as well as include statistics on the **direct versus indirect tax revenue ratio as a broad (although still imperfect) indicator of the overall progressivity of the tax system**. Data for this purpose can be obtained from the already reported data on tax revenue by type of tax.
- [page 48-49] Figure 5 and 6 talk about trends in relation to different types of taxes, which is helpful. However, in this context, we believe the **report should explain which types of taxation tend to have regressive impacts, and which types of taxes that can be promoted to obtain a progressive impact**. It would also be helpful to have concrete **proposals for how to conduct gendered distributional impact assessments** of the tax system at the national level.
- [page 48-49] The report notes that “*Most of the increase in taxes since 2007 came from taxes on goods and services (primarily VAT), with the strongest increases in LDCs and SIDS*”. In this context, we believe it is important to **stress the fact that consumption taxes are often regressive, and known for having a disproportionately hard impact on the poorest parts of the population, including women**. Therefore, we believe that the report should include a reflection on how the mentioned increase in taxes on goods and services may have impacted inequality and the prospects of ensuring development and achievement of the SDGs, including the commitments relating to gender equality. For future reports, we believe it would be very helpful if concrete **examples of, and case studies from, countries that have succeeded in expanding their tax revenue in a progressive manner** were provided.

Comments on point 2.1.1. on Medium-term revenue strategies (page 50)

- In this section, we are missing the following elements:
 - An explanation of how it can be ensured that MTRSs become truly **country-owned**;
 - An explanation of **how the MTRS proposal relates to, or potentially overlaps with, the other tools that are being promoted** by different bodies and institutions, including for example the INFFs, the G20 Country Platforms, etc;

- Furthermore, keeping in mind the numerous different tools, we are missing an explanation of how duplication and over-bureaucratization can be avoided;
- We also believe that the report should stress:
 - The importance of **involving national and local civil society organizations, trade unions and gender groups**, including women's rights organisations, in any processes related to MTRSs or any other planning tools. In this context, we believe it would be helpful if the report could include a discussion about the **experiences from MTRS pilot projects**;
 - The importance of using tools such as the MTRSs to ensure that revenue mobilization happens in a way that **reinforces development and reduces inequality**, such as would be the case with progressive taxes (but not with regressive taxes);
 - The importance of integrating **gender objectives and concerns** as key elements of any MTRS or other revenue planning tool.

Comments on point 2.2 on Tax administration

- [Page 51] **We welcome the analysis and recommendations** regarding tax administration, including the statistics on average percent of female staff and executives in tax administration.
- [Pages 52-53] While we agree that technology and software solutions can improve tax administrations, we are missing a **more nuanced analysis, which also highlights the risks related to technology and new IT systems**. In some countries, IT systems have caused severe failures, loss of revenue, undermined the quality of the tax administration and eventually been abolished. See for example experiences with the so-called EFI-system in Denmark (explanation (in Danish) [here](#)).

3. International tax cooperation

Overall comments on the section on international tax cooperation

- The section on international tax cooperation starts with recapturing the Addis Ababa Action Agenda's commitment to scaling up international tax cooperation. We find that the report should also recapture the following point from the AAAA: *"We stress 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."*
- While the draft report calls for **international decision making on tax to be more inclusive**, it does not provide specific recommendations on how this should be done. We continue to support that the UN should start an intergovernmental negotiation process on setting tax standards. This has been repeatedly raised by G77 and China, as well as, the former Secretary-General, who recommended that the UN Member States should consider moving ahead on this issue as part of addressing illicit financial flows (para 115 [here](#)). **In 2019, the following key developments also took place, which we believe should be mentioned and described in the report:**
 - The G77 and China submitted a [draft resolution](#) to the UN General Assembly, calling for the UN Tax Committee to be upgraded to an intergovernmental body. While this element was not included in the final negotiated version of the resolution, it none the less constitutes an important development;
 - The President of the UN General Assembly convened a [high-level meeting](#) on illicit financial flows, which resulted in a number of very clear proposals. This includes the proposal to

establish an international convention to address the tax avoidance related aspects of illicit financial flows, as well as to establish an intergovernmental UN tax body;

- In the key messages and recommendations, the draft report states that: *“While significant progress has been made in international tax cooperation, the interests and voice of developing economies require greater priority and attention. The global community could better ensure: effective inclusion in tax norm setting processes, adaptation of tax norms and practices to the realities and needs of developing countries, and greater investment in capacity building from development partners.”* On this text, we have the following comments:
 - We **welcome recognition of the fact that the interests and voice of developing countries require greater priority** and attention;
 - However, on the question of whether progress has been in international tax cooperation, **we are missing a more nuanced assessment, which includes the fact that on some points, there have been steps backwards since 2015**. For example:
 - Developing countries are being asked to implement tax standards and decisions that they were not party to negotiating. By the time all countries were invited to join the OECD processes on transparency and BEPS, the lion’s share of the norms had already been written. While the Global Forum and Inclusive Framework allow members to participate in any further discussions and decisions within the agreed framework, one key focus of the fora is to ensure implementation of decisions that have already been made before the fora became open to all countries;
 - As of December 2017, the EU has been threatening countries with blacklisting and financial sanctions if they do not sign up to following the OECD’s rules relating to BEPS and information exchange. This happens regardless of the fact that many developing countries were not invited to participate in the negotiations when those rules were written;
- **In addition to the assessment of the ongoing negotiations on taxation of the digital economy, the IATF report should include reflections and recommendations on how to address the issues that will not be addressed by these negotiations**, such as taxation of the extractive industries. We believe the **report should take a clear position on the issue of whether to set up an intergovernmental UN negotiation** to address issues such as these, and at the same time ensure full inclusiveness in, and the legitimacy of, international tax decision making and norm-setting. If the Task Force is unable to agree on this issue, it should at least openly present its arguments for and against;
- The report should include more information on the impacts of **tax treaties**, as well as recommendations on what developing countries can do to reduce or avoid the negative impacts of tax treaties. Furthermore, it would be helpful if the report would include more information about the negative impacts of **tax competition**, especially in relation to the race to the bottom on corporate tax rates, harmful tax practices and other tax incentives.

Specific comments on the section on international tax cooperation

- [Page 55] The draft report mentions the importance of *“encouraging investments through fair distribution of taxing rights”*. In this context, we believe it is worth noting that **fair distribution of taxing rights also serves other important purposes**, including the reduction of inequality within and between countries.

Comments on section 3.1 Progress on tax transparency

- [Page 55] The draft report states that: *“To receive information on the financial accounts of non-residents automatically, countries must not only adhere to the relevant conventions, but must also reciprocally activate a bilateral relationship and satisfy confidentiality requirements”*. This text can be read as suggesting that it is solely up to the country itself to determine whether or not it gains access to automatic exchange from another country. However, we believe the **report should mention the fact that automatic exchange would also require the other party to the bilateral relationship to activate the bilateral automatic exchange agreement**;
- [Page 56-57] The analysis of which countries that are currently getting access to country-by-country information is helpful to highlight the imbalances between countries as regards access to information. However, while the draft report mentions public country by country reporting for extractive industries (under section 4.3 Tackling corruption and state capture, page 62), **the draft report fails to mention the option of full public country by country reporting in relation to tax reporting by multinational corporations**. This despite the fact that this would be the most effective tool to combat corporate tax avoidance, including by ensuring that all countries get access to the information they need to tax multinational corporations. Even before the start of the OECD BEPS project, public CBCR was introduced for banks in the EU, and discussions are now ongoing at EU level as regards expanding this to all sectors (i.e. not just banks). Public CBCR would also be an important tool for impact assessments of proposals for reform of the global tax rules (as noted on page 59 in the draft report: *“Assessments are difficult to prepare because of a lack of accurate country-by-country information for all MNEs (...)”*).

Comments on section 3.2 Taxation of the digital economy

- It's positive that the report not only recaptures the debate about taxation and the digital economy, but also stresses the importance of assessing the impacts on developing countries. Furthermore, it is positive that the report recaptures the developments in all relevant fora, including the UN's tax committee;
- The draft report states: *“However, arm’s length pricing may not adequately reflect value-creation in highly digitalised businesses, when intangible assets are an important part of value creation, or if interactions with users creates value for businesses.”*. This text misses the point that there are also a number of broader and much more fundamental concerns with the transfer pricing system and the arm’s length principle. For example, the [work programme](#) for the Inclusive Framework negotiations, which was adopted in May 2019, notes that: *“For some commentators and members of the Inclusive Framework the work on the tax challenges of digitalisation has revealed some more fundamental issues of the existing international tax framework, which have remained after the delivery of the BEPS package”*;
- In the context of the presentation of the secretariat’s proposal for a unified approach, we also find it relevant to include a mention of what this proposal means for developing countries, especially compared to alternative proposals such as formulary apportionment. A report by Alex Cobham, Tommaso Faccio and Valpy FitzGerald presents some very important calculations of the effects of the different proposals. It can be found [here](#);
- Regarding the point that the Inclusive Framework process will deliver a “consensus-based solution”, we believe it is worth noting in the report that the OECD Secretariat seems to have a different interpretation of the term “consensus”, compared to how the term is usually understood at the United Nations. For more information see for example this [article](#), where Pascal Saint-

Amans from the OECD secretariat explains that in the OECD's understanding, being on an "equal footing" does not mean that unanimity is required for the new international tax rules to move forward, or imply that the power wielded by each country in the process is equal. Instead, he explains that: "*If you have all the big guys and a significant chunk of the small guys saying 'yes we [should] do it,' then the thing happens. Everyone must be involved, though.*"

Comments on section 3.3 Capacity building efforts

- The section contains no description or analysis on **what type of capacity building is being pursued through DRM cooperation**. For example, the draft report does not assess key questions such as whether capacity building is focused on the right "capacities"? Whether and how the capacity building is linked to the objective of ensuring that developing countries are able to influence global standard setting on tax matters? And how it can be ensured that capacity building provided by international actors follows the priorities and objectives of the recipient and is truly country-owned. Furthermore, it would be helpful if this section would follow up on the commitments that donor countries have taken on as part of capacity building initiatives. This applies in particular to the commitment to ensure **policy coherence for development** in tax matters, which donor countries agreed to under the Addis Tax Initiative, as an important factor in the effort to increase domestic resource mobilization in partner countries.

Comments on section 4. Illicit Financial Flows

- [Page 60-61] The draft report mentions that: "*There is no agreed definition of what constitutes 'illicit financial flows'*", and then recaptures the concept developed by the IATF in 2017. In this context, the draft report refers to "tax-related IFFs", but does not explicitly mention **the concepts of corporate tax abuse or tax avoidance**. However, since these elements make up a major part of the problem of illicit financial flows and cause very substantial revenue losses, it is vital that they are addressed as a part of the UN's response to illicit financial flows. Therefore, we believe these concepts should be explicitly mentioned and included in the IATF's concept of illicit financial flows. We are very aware of the fact that for political reasons, some countries would like to see these concepts excluded from the UN definition of illicit financial flows. However, we believe it would be highly inappropriate if this type of politics has influence on how the IATF report addresses illicit financial flows.

Comments on section 4.2 Policy measures for tax-related IFFs

- While we welcome the analysis on developments in bank deposits in international financial centres, we believe it would be important to also assess **to which extent this development includes bank deposits from developing countries**, and in particular least developed countries. It would also be helpful to include an analysis of the developments as regards **bank deposits in major countries that have not committed to exchanging information automatically**, and in particular the United States;
- Lastly, as mentioned above, we believe it is important that the IATF report also assesses corporate tax avoidance as part of the assessment of illicit financial flows. Therefore, we find it problematic that **the section on "Policy measures for tax-related IFFs" only seems to focus on measures such as transparency, exchange of information and money laundering**, but not, for example, base erosion and profit shifting.

Comment on section 4.4 Money laundering standards

- The draft report states that: “As its 40 members and observers include all members of the Group of 20, and all major financial centres, FATF standards operate as de facto global standards for the world’s financial system.” This interpretation risks watering down the **concept of “global standards”** and legitimize a situation where the world’s 40 largest countries and financial centres decide the rules for the world’s financial system, as opposed to a situation where global standards are developed and agreed globally, i.e. by all countries. We therefore believe this sentence should be deleted.

Comments on section 4.6 International response

- As mentioned above, the **President of the UN General Assembly convened a [high-level meeting on illicit financial flows in May 2019](#)**, which resulted in a number of very clear proposals. This includes the proposal to establish an international convention to address the tax avoidance related aspects of illicit financial flows, as well as to establish an intergovernmental UN tax body. We believe that this should be mentioned in the section on International responses.

Comments on section 5.2.3 Incorporating gender equality

- The inclusion of a special section on gender responsive budgeting (GRB) is welcome, especially the highlights on the importance of gender-disaggregated data and the emphasis that GRB requires gender mainstreaming in every stage of the budgeting process. However, there are two issues that require a bit more attention in this short section:
 - **GRB is not just about meeting the needs of different populations but is an important way to shift unfair norms.** For example, if governments spend more on childcare services, this will make it easier for women to enter the workforce, shift norms and perceptions around women’s access to formal work, and women's ability to contribute financially to their families, etc. In other words, GRB has the potential to lead to transformative change;
 - **GRB is as much about the process as it is the outcome.** GRB is a process that must centre the voices of women. GRB requires systems for citizens to input easily and effectively. Thus, issues around budget transparency, accountability, and access (for all citizens) are all integral to the GRB process. For more information see for example Oxfam’s [Guide](#) to Gender Responsive Budgeting.

Chapter III.B. Domestic and International Private Business and Finance

Key messages

- The chapter is a bit more descriptive and general rather than a chance to call for specific policy guidance. We welcome the focus of this chapter on aligning private investments with the SDGs, and that addressing the general constraints, rather than subsidising individual investments should be the first choice in stimulating investments in developing countries.
- We support some parts of the chapter, such as the focus on addressing constraints on small and medium enterprises; the need to remove barriers for women in the private sector; the nuanced messaging on PPPs (and their risks) and blended finance. However, there are other issues that require additional nuance or more information.
- In the chapter's parts that emphasize the need to mobilise more private sector investment, there is not enough focus on issues of quality, risks, additionality and its potential and actual contributions to the SDGs. The chapter highlights the lack of private sector investment towards the SDGs despite low interest rates but could go further to question the fundamental assumptions around the argument that there is a business case for the SDGs.

Private sector development strategies

- This section places an excessive emphasis on building a enabling business environment, for instance, by considering the 'Doing Business' report as a standard to implement, without stressing enough the need to enhance business practices and accountability.
- While this section includes welcome references, such as, 'protecting labour rights and environmental and health standards, and disaster risk reduction standards, regulations and legislation', they are mentioned as measures that 'may imply increasing the cost of doing business', which reflects a perspective too focused on investors' interests and not on meeting international commitments.
- While the call for minimum standards for sustainable investment is welcome, they are not enough. There should also be a concerted effort to assess the impacts (and limits) of existing sustainable/impact investment vehicles. Current sustainable/impact investment models are either not too different from conventional investment methods or they don't generate sufficient financial return. On page 73 the report notes that, "Countries have made strides to reduce administrative hurdles for companies, as reflected in the falling cost of starting a business (see figure 3). Last year, 115 economies implemented additional regulatory reforms to ease doing business." The assumption being that deregulation equals increased business activity with positive development impacts. However, methodology of Doing Business Report (DBR) is [flawed](#). It remains questionable whether DBR is adapted to the needs of SMEs. In addition, the WBG pushes such regulatory reforms as part of conditionality attached to its development policy finance (& MFD), which compromises national policy space of developing countries.

Providing infrastructure services while leveraging technology

- We welcome the cautious approach to the use of private investment and public-private partnerships (PPPs) to finance infrastructure services. However, the report fails to acknowledge that shifting the current financing pattern of infrastructure services ('the public sector still accounts for 87 to 91 per cent of infrastructure investments spending in developing countries') would pose an excessive level of risk on to the public sector, and hence on to citizens, and particularly on women.
- It also fails to include a strong call to improve the quality of infrastructure - which should be considered as a high priority, rather than channelling more money into infrastructure in countries

with poor track records. As a result, the report explicitly endorses ‘de-risking’ private finance as a strategy for developing countries to pursue.

- Enticing private investment in challenging infrastructure sectors often entails significant public costs in the shape of subsidies or risk guarantees. Major public investment is often necessary in order to attract private investment in infrastructure sectors with limited commercial returns, either to offset the risks of long term, uncertain projects, or to ensure that the benefits reach the whole population, not just those who can afford them.
- In Latin America, for example, the World Bank has noted that “while PPPs account for about 40 per cent of Latin America’s infrastructure investments, they depend heavily on government support: about a third of their financing comes from public sources, and about half of all deals receive some type of government guarantee. In other words, constrained public finance also means constrained private finance for infrastructure.”

Financial Instruments to mobilize private finance

- The report lays out in a comprehensive way the instruments that can tackle the challenges that private investors face. However, the assessment that follows Figure 8 (‘Schematic overview of instruments to mobilize private finance’) fails to elaborate on the risks mentioned, particularly, the risk of producing ‘unbalanced risk-reward sharing mechanisms with the private sector’.
- For instance, all too often PPPs result in an unbalanced risk sharing that compromises fiscal sustainability, and as a result, progress towards the SDGs. Moreover, the report fails to recognize that the question of whether public finance or blended finance is appropriate is not only a question of efficiency.
- The choice between public finance and blended finance is a political choice which should be informed and influenced by commitments made under the Agenda 2030 to decrease inequality and leave no one behind. In particular, investments in services such as health care and education should primarily be made with public money. For any blending proposals in these sectors, the risk of negative impact on the Agenda 2030 commitments to leave no one behind and to decrease inequalities need to be thoroughly scrutinized. Private finance in general, and blended finance in particular, needs to switch from a search for bankability to a search for development impact.

MDB securitisation

- The report (in its Chapter III B and III C) refers to securitisation as a way of raising additional resources for development. However, we are concerned about the impacts of a heavy reliance on the financial sector to deliver sustainable development.
- One negative implication overlooked in the report relates to accountability. The MDBs’ turn to securitisation may further dilute accountability, by increasing intermediation chains and reducing the (already weak) incentives for continuously enforcing ES(G) compliance.
- Private ESG criteria are likely to become the norm in sustainability-oriented securitisation. According to Gabor (2019), “The ‘ESG evangelism’ at the core of the global policy agenda downplays the fickleness of this indicator, and the potential for SDGwashing inherent in the private and this far unregulated ESG provision.
- MDBs should work with national authorities for a universal public ESG framework or sustainability taxonomy for private finance. Such a taxonomy should be enforced without prioritising the development of asset classes that meet the profitability requirements of institutional investors. A public ESG taxonomy, mapped onto the SDGs, and mandatory enforcement in sustainable securitization is necessary if the turn to securitization is to live up to its SDG promises.”

Sustainable corporate practices and financial systems

- The report could have done a better job of laying out the reasons why business leaders can no longer ignore sustainability issues. We see that they are ignoring it every day with little repercussions in the short-run, punishment by governments, investors or consumers.
- Unfortunately, the business case is an aspiration rather than an empirical fact. Only a very small number of companies are actively engaging in the SDGs. It is positive to note that corporate governance reform is made explicit. However, the focus on corporate purpose seems insufficient.
- Rethinking corporate purpose is a starting point but only becomes meaningful if we consider who has power in the corporation (e.g. organised workers, as owners or represented on boards) and if we reconsider how the money is made (externalities) and where it goes (e.g. to shareholders vs. reinvested in the company or paid in taxes). Furthermore, this section takes a too narrow approach on how corporations affect the SDGs.
- There is no mention of taxation, working conditions in their supply chains, political influence, short-term shareholder returns, etc. It is welcome to see a reference to the World Benchmarking Alliance (WBA), as it is a promising initiative, but the IATF report could have been stronger by pushing the WBA towards strong standard-setting and implementation.
- Moreover, the section feels a bit like we are just starting on the SDGs. At this point we can say with confidence that the way corporations have shown up to the SDGs has been disappointing. Lots of rhetorical endorsement but little to show for in tangible, new commitments, targets, and changes in corporate practice. We could reiterate some of our criticisms from our analysis of companies' SDG contributions to date (e.g. SDG-washing, cherry picking SDGs).
- Finally, on sustainable reporting, the focus on making companies more accountable is welcome and should be highlighted. We emphasise the need for mandatory reporting mechanisms. For instance, there are positive trends in advancing mandatory human rights due diligence reporting (e.g. in the EU.). Some companies support these requirements, which confirms the possibility to get beyond voluntary reporting mechanisms.

Chapter III.C International Development Cooperation

Overall comments

- CSOs appreciate the efforts by the Inter Agency Task Force to provide a consistent picture of the global trends pertaining international development cooperation; we note that the section on International Development Cooperation covers several key areas, including: general ODA trends, role of the MDBs, climate finance, emergency health finance, South South Cooperation, blending and new financing instruments, graduation and effectiveness. At a time when relevant data is apparently available from multiple sources, the overall picture offered by the UN based IATF is greatly valuable in establishing a robust base line. We note with concern that **the overarching message from the IATF is that the international community is failing to stay true to their commitments on official development assistance (ODA). We convincingly support the Task Force's call on donors to realize the internationally agreed commitments to ODA quantity, including those for LDCs, and quality**, which echoes the concerns the CSO have been recurrently submitted over time.
- Notably, aid from all DAC donors accounted for only 0,31 % of GNI in 2018, well below the 0.7 % United Nations target. As donors' numbers have been largely inflated by the in-donor costs (specifically refugee costs) over the past few years, it would be highly optimistic to argue for a quick recovery of aid volumes, which leads to the conclusion that the international community is once again not in course to realize the commitments that it has set of itself. The recent decline in refugee costs highlighted by the report should not overshadow the fact that in-donor refugee costs remain high.
- It is surely a source of concern that **concessional resources are not primarily going to the countries most in need**: aid to LDCs accounts for a mere 0,09 % of the DAC countries' wealth with a loss of about 2% on the year earlier; also, ODA to Africa, landlocked developing countries and small islands has lost ground to the tune of 1,8 , 8,9 and 2,1 per cent respectively.

Specific comments

- **On the role of Multilateral Development Banks: while it is welcomed that MDBs were successfully replenished in 2019, we are concerned with the approach that MDBs have to development finance.** The World Bank "cascade approach" to Maximise Finance for Development, in which private finance is the default finance option, has to be reviewed. At present, it includes a feasibility test but does not consider appropriateness. An excessive focus on private finance might undermine progress towards the SDGs. Moreover, the Report fails to acknowledge the positive role that public development banks working at the national level can play, if well governed and resourced. They can complement the role of multilateral and regional development banks as they are better linked to national strategies and priorities.
- **We welcome the reference to climate finance** which provides a brief overview of providers' performance towards the 100 billion USD annual target by 2020 and issues related to the allocation and effectiveness of climate finance. **The section, however, lacks a clear reference to the provision that climate finance needs to be 'new and additional' as well as a discussion to what extent reported climate finance is 'new and additional'.**
- Recent independent research¹ **efforts by MDBs to increase climate finance commitments and divest from certain types of fossil fuels.** The independent research assessing the extent to which

¹ See Oxfam France's report 'Lift the veil on fossils, How three public finance institutions measure up against the Paris Agreement' <https://www.oxfamfrance.org/rapports/cachez-ces-fossiles-que-lon-ne-saurait-voir/>

three public financial institutions (the French Development Agency (AFD), the European Investment Bank and the French export credit agency) align with the Paris Agreement - shows that there is still a long way to go. The independent report points to the fact that the EIB still provides massive support to fossil fuels (21% of its energy investment, reaching 7.9 billion euros between 2015 and 2018), that, between 2015 and 2018, the French government subsidised fossil fuels up to around 2 billion euros via export credit guarantees, a sum equivalent to the AFD's funding for adaptation between 2015 and 2017.

- **As for emergency health finance, the approach promoted by IFIs to tackle epidemic risks is fundamentally flawed.** Support for policies such as privatisation and expenditure cuts on health care systems in developing countries throughout the last decades have left them in a situation of structural weakness to deal with the impacts of an epidemic outbreak. The rushed response to the crisis is a clear example of the failure of the current policy paradigm on health care and development finance. Financing mechanisms such as the CERCs, CDDO, and CRW are examples of “too little, too late” policies.
- **Too little:** Official figures reported by China show that the country has set aside USD 10.2 billion to prevent and respond to the COVID-19 outbreak. Initial policy response by IFI was small in comparison. The Pandemic Emergency Financing Facility (PEF) was designed to provide financial support to the World Bank in an epidemic scenario. While the clauses of the instrument have been triggered, total funds released will reach a maximum of USD 196 million to be distributed across all the member countries. In the meantime, the World Bank has used a total of USD 115 million from IDA funds to pay for fees, interest and premiums to investors participating in the facility. As the World Bank is not a resource constrained entity, this represents a significant misallocation of resources.
- **Too late:** The most efficient mechanism to address an epidemic is to put in place measures to prevent its spread. This requires the presence of health care systems that are able to perform core functions in an effective way, including functions of detection, diagnostic and response. From a sample of 69 LIC, at least 84% present poor health care systems that do not meet basic capacity or performance standards set by the WHO. Years of systematic underinvestment in health care systems across the Global South means that the large majority of countries lack health care systems with either the capacity or performance requirements to effectively respond. In 66% of LICs debt service payments are higher than public health care expenditures. Response by IFIs has been slow in contrast. PEF is not expected to pay out until the end of March. While both the World Bank and IFI have announced a financing package worth USD 62 billion, its structure is far from ideal. Emergency financing provided by IFI will take the form of debt. While financing will be provided in the form of 0% interest loans, they will add to the debt vulnerabilities present in a large number of LIEs. Emergency financing to LIEs directly affected by COVID must take the form of non-debt creating capital flows. Even if a large number of LICs manage to avoid an outbreak, they are still heavily exposed to the economic fallout of COVID-19 either through financial channels (capital flight, sudden stops, etc) or trade channels (trade dependence on EU and China and commodities). Given the large degree of economic vulnerability faced by countries at moderate and high risk of debt distress as classified by the IMF, the COVID crisis may well trigger a debt crisis in a number of countries. In this context is necessary to openly discuss the possibility, in line with UNCTAD principles, to allow affected countries to implement temporary suspensions on debt service, and eventually depending on the severity of the situation, systematic debt relief.

- CSOs find it very useful to have a comprehensive overview of **innovative instruments**, but beyond explaining what they are and their use by providers, the Report could also make an analysis of key risks and opportunities of these instruments for development outcomes and leave no one behind. The Report focuses strongly on different market-based approaches while only briefly touching upon mechanisms to increase mobilization of public development finance through solidarity taxes that has traditionally been associated with ‘innovative sources of development finance’. In this context, FSDR could consider including a call to reinvigorate the Leading Group on Innovative Financing for development.
- **We welcome the approach of dealing with blended finance’ in the broader context of public finance instruments.** This presents blended finance as only one of the many possible options to finance development outcomes, which needs to be carefully considered based on a transparent appraisal of its development impact compared to alternative uses of ODA². The FSDR outlines **the need for a cautious and well-tailored approach to blending** also in light of the most recent data available that is highlighting that publicly leveraged finance is not fit for the purpose of realizing the leaving no one behind pledges as the data regarding LDCs is confirming once again; blending mobilises less finance towards LDCs because business in these countries are more risky – showing that blended finance follows private interests i.e., where better returns are more likely. In this regard, we appreciate the effort to submit a set of principles (including financial & developmental additionality and country ownership; see Box 2) and in particular the call for a change from approaches based on bankability to the prioritization of development impacts. The Report could refer to 2019/2020 research pieces which a) debunk the actual ‘leveraging’ ratios of blending (‘for every \$1 of MDB and DFI resources invested, private finance mobilised amounts to just \$0.37 in LICs, \$1.06 in lower-middle-income countries (LMICs) and \$0.65 in upper-middle income countries (UMICs)³), and b) highlight the ‘diversion’ risk, i.e. threatens to shift \$1.1 - \$5.9 billion away from social/humanitarian sectors.⁴ The acknowledgement that blended finance deals a) are not “panaceas to fill in the investment gap, b) *have generally had only a modest impact on poverty* and c) *even more often, the developmental impact is unknown* must spark a rethinking of the growing discourse on “mobilising” private finance as part of the functions of ODA.
- The FSDR offers a framework to look into graduation from a variety of angles. It is in fact important to come to a shared understanding of the different relevant dimensions, from the role of multilateral finance to access to ODA. We would like then to echo one key message that the narrative of the Report builds on: **graduation must be dealt with as a transition that must properly charted, may well include some relapses and consequently calls for flexibility.** In a very timely fashion, the Reports bring to the fore the impacts that unexpected, external shock may have on national systems that are still fragile at their core. The globalized nature of the threats that the world will have to face in the future will become more and more apparent as climate change or health hazards demonstrate. All this considered, a review of graduation points to **intrinsic weakness of the current system that, being largely based on income categories,** tells

² See also Gunnell Axelsson Nycander, 2019, <https://blogg.svenskakyrkan.se/opinion/blended-finance-finding-its-place/>

³ See ODI, <https://www.odi.org/publications/11303-blended-finance-poorest-countries-need-better-approach>

⁴ See EBA report, <https://www.odi.org/publications/16677-mobilising-private-development-finance-implications-overall-aid-allocations>.

possibly half of the story and need to be integrated with comprehensive assessment of other economic and social aspects.

- While the comprehensiveness of the section is quite welcome, there are some critically missing issues. Relatedly, little analysis is done to investigate the impact of declining ODA levels on particular sectors needed to fight poverty, inequality, and gender inequality⁵. Making matters worse for inequality, the government and multilateral donors apply what little ODA is left towards investment sectors, especially infrastructure.
- While the IATF Report mentions bilateral donors using IDA graduation as a signal to decline their investments, little is mentioned about what this linkage means for non-governmental actors. Support for local civil society organizations has seen a drastic decline as their major source of funding came from bilateral sources. Equally, the effect on debt of relying on more non-concessional sources should not be understated⁶.
- The FSDR's narrative includes multiple references to the importance of the effectiveness principles, starting with the ownership of national development plans, in line with the conclusions of the Addis Ababa summit (2015).
- **CSOs do appreciate in particular the call for greater alignment of development cooperation interventions with partner countries' national development plans.** However, there is still lot of ground to cover as the Report itself highlights: *despite considerable strengthening of countries planning processes*, donor countries are not fully aligning their projects with country priorities and are even less using *country owned result frameworks* in setting the relevant indicators⁷.
- **The section on quality, impact and effectiveness of development cooperation could in fact be substantially strengthened.** We welcome the call for more attention to the *quality, impact and effectiveness of development cooperation*, but the *key messages and recommendations* section should more clearly mention the worrying results of the last GPEDC monitoring round, which revealed that most donors overall performance against the Busan indicators is stagnating at best, or declining in many cases.
- Drawing on data included in the most recent monitoring round of the GPEDC, this section misses an opportunity to point to the lack of progress on a number of key indicators of development effectiveness. **Tied aid** provides a notable example. Since the publication of FSDR 2019, the OECD has not produced a follow-up report on its recommendation to untie aid. The figures mentioned in the report do not seem to match with available data on tied aid. In 2016, the share of untied aid reported by DAC countries accounted for 81,3 per cent of DAC donors' bilateral ODA (excluding administrative costs and in-donor refugee costs), while the most recent OECD data put the share

⁵ See Gunter, Bernhard and Oxfam "Financing for Development in Vietnam: After International Development Association (IDA) Graduation" October 2019 <https://www.oxfam.org/en/research/financing-development-vietnam>. Oxfam's research on Vietnam found challenges created when the country graduated from IDA status. 22% of Vietnam's health and sanitation budget came from IDA, IDA was the largest donor to education, and bilateral and multilateral ODA support to implementing Vietnam's gender strategy, though not funded by IDA, was all but cut.

⁶ According to Oxfam's analysis, if Vietnam's level of concessional debt gradually declines from its current level to zero by 2030, its debt to GDP ratio will increase from about 60 percent in 2015 to nearly 90 percent in 2030. Debt service to revenue ratio is also projected to increase from 41 percent in 2015 to 75.[i]

⁷ For a full CSO assessment of effectiveness trends also see: CDPE 2019, <http://edclibrary.csopartnership.org/bitstream/1/270/1/CIVIL%20SOCIETY%20REFLECTIONS%20ON%20PROGRESS%20IN%20ACHIEVING%20DEVELOPMENT%20EFFECTIVENESS.pdf>

of untied aid at 81,3 per cent of bilateral ODA by DAC donors. The Report rightfully points to the fact that performance in terms of untying aid is very uneven across development partners but would gain strength by providing a breakdown of individual donor performance. The report could also analyze further steps to untie all aid (including by expanding the current OECD recommendations to all ODA eligible countries and sectors). We welcome the recognition of the fact that beyond formal aid untying, contracts are largely awarded to companies based in DAC countries. **The Report could examine steps to align procurement practices more closely to the principle of country ownership.**

- The Report fails to mention **budget support**, yet this is a cornerstone of country ownership, and recent reviews consistently find that where budget support has been given, it has translated into increased public spending on key sectors to tackle inequality and poverty. In the mid-2000s budget support was on the rise and gained support from many donors. Between 2006 and 2009, budget support from DAC countries almost doubled, both in real terms, and as a percentage of their collective aid), aside from an exceptional peak in 2013. Since then, budget support has diminished significantly, falling back to almost 2006 levels in 2015. Between 2011 and 2014, budget support to developing countries by EU DAC members fell from €3.7bn to €2.8bn, predominantly due to changes by the UK, France, Germany, Denmark and the Netherlands. In 2015, the UK's Department for International Development (DFID) announced that it would "end all traditional general budget support", after a long record of giving aid in this way. General budget support, which has the greatest potential to support country ownership and system strengthening, has seen a steady decline in recent years, falling from 2% in 2004-2005 to 0.6% in 2015, an all-time low.⁸
- We cannot then fail to mention **worrying trends concerning the shrinking space for non-executive actors** to be meaningfully involved in dialogues on development strategies. Data from the global reporting (GPEDC, 2019) speaks clearly about the fact that, even when taking place, the quality of the consultations deserves to be reviewed and improved, especially considering the extent to which of the stakeholders' views are properly taken into consideration. We would like then to **call on all parties to act to reverse the CSO shrinking space** as also called for at the most recent SLM of the GPEDC (New York, July 2019).
- We believe it is also timely to highlight that financing metrics are becoming more complex as substantiated by the shift from an aid cash flow methodology to the grant equivalent approach recently implemented at the DAC level. As the technical motives behind such a shift do have their merits, the new approach is harder to share with decision makers and the public opinion, which will very likely grow less prone to lend their informed support to development cooperation. The FSDR notes the ongoing 'modernization of ODA' process in the OECD and the change in rules applying to providers' reporting of ODA. The Report would gain in relevance and strength, if it were the highlight that this ongoing process has produced interim reporting rules, especially relating to Private Sector Instruments, that raise concerns⁹ in terms of transparency and incentives for providers as anomalies in the provisional reporting directives risk giving providers a disproportionate statistical reward for transactions that actually had very little impact on their coffers.

⁸ Oxfam's paper 'Hitting the target, and agenda for aid in times of extreme inequality', page 23-26

⁹ See <https://eurodad.org/private-sector-instruments>

- Even though this year's Report doesn't include a dedicated chapter, **Integrated National Financing Frameworks** feature significantly throughout the 2020 FSDR. CSOs are cognizant of chapter 9 of the AAAA, which opens with *cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of our efforts*; **we call on the international community to review INFFs in light of what agreed in Addis Ababa, namely whether or not such frameworks support nationally owned plans**. Importantly, such ownership must primarily mean democratic ownership.
- In this regard, the recently published draft of the handbook for the INFF inception phase may offer some encouraging messages. For brevity's sake, we would here like to refer to the acknowledgment that there is no need to start *from scratch* as countries may well have their planning instruments in place already. Equally important is it to stay consistent with the statement that *National governments should be in the lead in all steps involved in the inception phase*.
- With such concerns in mind, we cannot fail to notice that, according to the very same handbook, INFF are expected to rely strongly on International Economic Institutions' diagnostic tools and policy frameworks, which limit national economic policy space in conflict the AAAA's directions. For instance, among these tools: World Bank Country Private Sector Diagnostic, OECD BEPS& Inclusive Framework; IMF Article IV: strong focus on austerity policies¹⁰; IMF debt sustainability analysis (DSA), World Bank Doing Business Indicators. Most these tools lack gender-sensitive human rights and development impact assessments.
- Instead, a genuine INFF process could serve to emphasize an alternative rights-based and bottom-up approach to development. Development policies and their financing strategies should be the result of an inclusive democratic process and not be prescribed by tools emanating from International Economic Institutions. There is also a need to strengthen language on attacks on civil-political rights and democratic spaces, i.e., not just "limits on inclusiveness" and CSO "capacity limitations," as impediments in achieving country democratic ownership in the South. People's ownership is essential before any national financing framework and planning process would result in truly sustainable development.
- Equally, INFFs should not distract from the need for the international community to curb illicit financial flows, increase quality aid and deal with excessive debt burdens. Addressing economic drains¹¹ from the prevailing neoliberal economic norms and fulfilling aid and development effectiveness commitments are prerequisites for sustainable and balanced national financing for development. All of which would significantly increase the economic resources available at the national level to finance development.
- South-South cooperation continues to be an important resource for achieving the SDGs. As the FSDR notes, "SSC continues to expand in scope, volume and geographical reach". However, its importance may lie less in the amount of finance, and more in its expression of solidarity across developing countries. There is a growing South-South sharing of experience and knowledge, which takes the form of technical assistance and exchanges, that may not be fully captured. We support the suggestion in the report for "advancing BAPA+40 calls to develop country-led systems for data collection, quality assessment, and monitoring and evaluation" In this light, the principles of horizontal development cooperation – including solidarity, mutuality, human rights, respect for sovereignty, non-conditionality – should be used in assessing the effectiveness of South-South

¹⁰ <https://eurodad.org/files/pdf/5da6d341303ca.pdf>

¹¹ See IBON International Policy Brief on National Financing for Development, <https://iboninternational.org/download/national-financing-for-development-corporatised-or-democratised-process/>

partnerships, particularly with respect to unequal conditions of partnership that often prevail even between South-South cooperating countries. Southern aid providers should work towards ensuring that their policies and operations adhere to international law and standards on environment and human rights as these apply to programs and projects in partner countries. This is consistent with Bandung, which declared the fundamental principles of human rights as a common standard of achievement for all peoples and nations. Democratic country ownership of SSC should be enhanced so that recipient countries' own needs and priorities drive the development partnership, and that these priorities and policies are rooted in the participation of, and accountability to, stakeholders and citizens. The relevance and importance of the principles for effective development cooperation in enhancing accountability and development impact of SSC should be recognised and upheld.¹²

¹² See CPDE / Reality of Aid, Policy Research on Operationalizing People-Oriented South-South Development Cooperation: http://docs.wixstatic.com/ugd/9f29ee_8fe806c99632427e9e734a8df04d2b7d.pdf

Chapter III.D: International trade as an engine for development

Overall comments

- The reference to trade as a “catalyst for...development,” and how the current trade system could contribute to sustainable development, must be contextualised and qualified by how liberalisation has not resulted in major structural transformations for Southern economies, with more than half of developing countries still dependent on the export of a few primary commodities (see UNCTAD Commodity Dependence Report).
- Blanket condemnation of “protectionism,” likely in reference to the US-China “trade war,” must be nuanced with Southern experiences regarding the protection of budding industries and prevention of dumping as valid policy choices and therefore, must receive protection for necessary periods. However, the discussion on protectionism has now been turned on its head whereas richer countries, which forced poorer countries to open up are now turning protectionist themselves while at the same time attacking “policy protectionism” of poorer countries.

Specific comments

- **Multilateralism and Reform:** The Report rightly states *“WTO reform should make the multilateral trading system more reactive to the 21st century geo-economic realities to continue its important role in delivering the 2030 Agenda for Sustainable Development”*.
 - Any discussion on WTO Reform must have as central the question of development. Any reform must forward the agenda of development, and keep it as a minimum, binding mandate in any trade agreement. The Report must mention Special and Differential Treatment (S&D) in this regard as it is being pitched as a central pillar of the discussion on Reform. The Report suggests S&D may be “upgraded and modernized” but this must be done in a way that makes it stronger and more effective in meeting needs of a range of developing countries, not the opposite. The current attack on S&D can undermine the promises made to developing countries right from the days of GATT.
 - Further, any reform of the WTO must not force developing countries to pay again simply for the WTO’s existence to continue or even for renewing/upgrading a development mandate and S&D; as they have already paid through TRIPS, TRIMS, non-implementation of AoA, but have not seen the promises of DDA or even effective S&D in other agreements being met. They should not be made to sacrifice on sensitive new issues from their development policy perspective, in order to have the WTO carry its business-as-usual.
 - While the report equates the WTO with the multilateral trade system, it must also consider the contention especially from civil society on replacing it with another system of rules attuned to people’s economic rights.
- **LDCs and Trade:** The Report draws important critical attention to the issue of need to first, ensure opportunities for LDCs, which is mandated under the 2030 Agenda and SDGs in particular, through strengthening mechanisms such as the Aid for Trade and the Enhanced Integrated Framework (EIF). In addition, countries must also make binding (as opposed to best-endeavour) commitments on the LDC package (as an outstanding mandate of the Hong Kong Ministerial) including on Duty-Free-Quota-Free (DFQF), preferential Rules of Origin services waiver, and cotton. These are specifically mandated by the SDGs
- **Ecommerce:** The Report points out that *“outside the multilateral trading system, ensuring a truly inclusive digital revolution that facilitate the participation of smaller players in the global economy will require providing support to small business owners to take advantage of digital technologies. It also requires tackling complex and sensitive issues, such as privacy, internet neutrality, consumer protection, and data flows. The lack of clear legal and regulatory frameworks on these issues can*

undermine confidence in online trade and erode consumer trust." This critique is much needed but needs to be developed much further. While small businesses may benefit from further support, the key issue is of regulation.

- E-commerce rules being proposed/agreed in the WTO and FTAs, shows how "trade" is being used to undermine any regulation and limitation on digital corporations and strengthening the monopoly that a few digital corporations currently enjoy and seek to perpetuate through such "trade" rules. The resultant data loss (from prevention of data localization and ensuring free flow of data), is drainage of economic raw material of immense value, and therefore can imply major losses of economic opportunity, sovereignty, and policy space, especially for developing countries, which are net data exporters. Other e-commerce provisions also have serious implications such as source code and safety, physical presence and regulatory space restrictions and so on. Also there will be massive tariff revenue loss from the moratorium on taxes on e-transmissions. All these together represent a major challenge for developing countries where digital technology can represent major opportunities but apart from the digital divide, the inability to regulate such technology may significantly derail not only their economic development, but social development pathways as well.
- **Fisheries Subsidies:** IUU fishing may be harmful in terms of sustainability of fishing and marine resources, but in developing countries it has a different face; that of the small-scale, artisanal, traditional fishers, who pursue fishing for livelihoods as well as food security with low commercial value, and which are actually often more sustainable as they pursue less mechanised methods of fishing. The fisheries negotiations at the WTO have seen the fight over S&D to protect such fisherfolks but S&D has been challenged by several advanced countries. It is important to remember that SDG 14.6 specifically mandates S&D. The Report should draw attention to industrial, large-scale, commercial fishing that actually has contributed much more to over-fishing and over-capacity, including to overfished stocks. Any subsidies negotiations must not discriminate against countries that have small fisheries sectors but which are mainstay for livelihoods of millions, while allowing those countries which have already built up their fishing infrastructure and capacities to retain the historical advantage and continue with industrialised fishing on a large-scale. The current negotiations run the risk of perpetuating such inequities by making the poor pay for the global community's marine conservation efforts while allowing the polluter to continue unchecked.

Technology

- The Report points towards impacts of digital technology in employment in GVCs but this is a rather narrow look at the impact of digital technology. Trade or employment is linked not only to GVCs, and nor is new digital technology impacting only GVCs or in fact, just employment.
- The Report does not link clearly to the provisions in e-commerce proposals at the WTO and in FTAs such as; no data localisation, no revealing of source code, no physical presence, moratorium on tariffs on e-transmissions etc, and their impact on jobs, both in and outside GVCs. There is a lot of recent research to link these specific provisions to economic and social impacts including on employment, and it would be useful to include these analyses to inform the Member States.
- Looking at the sections on technology and e-commerce, the optimism in the Report over digitalisation's benefits to MSMEs (e.g., in e-commerce) is significantly and rightly contrasted with how "lead" MNCs in global value chains are likely to capture and control the data "while firms in the manufacturing and assembly segments become interchangeable," as the "subordinate status of [developing economies] may get accentuated". This is a very correct observation. The bigger political dynamics in the economic arena of digitalization shaped by "who controls the data" (with significant and far-reaching implications which are not limited to GVCs) must be understood and highlighted clearly in both the technology and the e-commerce sections. It is not that data (and

control thereof) is good for MSMEs and is only problematic for employment in GVCs. The use and control of data, being promoted through trade rules, has immense economic, social, political and security, implications, which need to be understood clearly.

Trade & Gender

- The report calls for trade norms that do not “associate women with secondary roles in the labour market.” The report also promotes roles for e-commerce and online platforms in fostering “upward mobility” of women entrepreneurs. But beyond these, and more importantly, a rights-based and historical approach would show how neoliberal trade rules have left behind women and their economic rights.
- The report places overwhelming emphasis on women entrepreneurs and, only to a certain extent, on women workers. But it fails to take into account women who are not engaged/interested in the world of trade but are getting impacted nevertheless; e.g. women farmers as they face subsidised agricultural products from the developed countries, patients as they face unequal access to treatment and medicines with stricter IPR rules, household worker who needs to put in more care work as public services recede or become more expensive. This is especially true for women in developing countries whose well-being cannot be disassociated from broader development policy objectives in their country contexts which may be undermined by the trade agreement itself.
- Therefore, a true gender sensitive trade policy approach will need comprehensive assessment of the entire agreement; not only of a partner (most often developing) countries’ policies (as Canada’s GRE) but of the agreement itself to assess if it is complying with the development needs of women and their rights. If not, such agreements must be restructured with adverse provisions dropped. The same goes for the WTO if it plans to move forward with any gender proposal. Can it take a clear & critical look at its own agreements and redesign them?
- Again, the stand-alone gender chapters in trade agreements can do more harm than good as they ignore the fact that women are impacted in multiple ways through trade rules and while these focus on existing national level gender policies, mainly limited to areas of work, it fails to look at the impacts of the multiple trade chapters and provisions on women’s lives.

Chapter III.E. Debt and debt sustainability

Key messages and recommendations

- The report provides a concerning picture of the recent evolution of debt across countries and sectors and takes a welcome step forward from last year to give greater emphasis to the need for debt relief and reforms to crisis resolution frameworks, in the face of this worsening landscape. We welcome the stronger concerns raised in this report regarding the current fiscal risks from this new landscape, a concern raised by southern stakeholders in particular, and the analysis regarding domestic debt, SOEs and subnational debt. We welcome also the clear calls to the official sector to expand concessional financing, drive use of SCDIs, and the emphasis on the UN as a forum to take forward discussions on improving debt resolution.
- The report does however follow a perspective, often used by the IFIs, to highlight that the growth in debt is slowing down. In light of the potential impact of the COVID-19 outbreak on debt, and its effects on growth and on global value chains, that optimistic view should be challenged.
- The recommendation for creditors to ‘help borrowers avoid debt traps’, likely a veiled reference to Western discourse on China’s Belt and Road Initiative, must be contrasted with the report’s admissions that 1) commercial lending is also responsible for increased Southern debt especially after 2016, and 2) that post-2008, lower interest rates (a move led by state in the Global North such as the US) is a crucial contextual factor in Southern economies’ growing debt.

Recent trends in debt burdens

- The analysis provided in the report is especially concerning in the case of LICs. Going forward, the report notes that ‘IMF projections point to stabilizing debt-to-GDP levels for LICs’. However, an analysis of the assumptions used by the IMF shows that this is an optimistic scenario as it premised on a combination of austerity-focused fiscal consolidation, strong economic growth and no-off balance sheet shocks:
 - 17 countries are expected to maintain above historical average growth rates while undertaking large fiscal adjustments¹³. Academic research has shown that large fiscal adjustments will likely weaken economic growth.¹⁴
 - Furthermore, most of these countries are identified as being in a situation of moderate to high risk distress. When linked to IMF programmes, such fiscal consolidation measures have generally failed to deliver longer term debt sustainability.¹⁵
 - Off-balance sheet shocks have been on the key drivers of recent debt accumulation in LICs. However, the baseline scenario doesn’t include them in the projections. The IMF estimates that their inclusion would increase debt stocks of LICs by 11% of GDP.¹⁶
- The report gives little critical attention to the use of blended finance instruments, and the promotion of market-based approaches to fund SDG investments, such as PPPs, as additional drivers of debt vulnerabilities. This is a missed opportunity to examine how a development finance agenda that rests on using public money and institutions (including ODA) to leverage private finance – e.g. the World Bank’s Maximising Finance for Development agenda – may in fact be

¹³IMF. (2020). ‘The Evolution of Public Debt Vulnerabilities In Lower Income Economies’. Retrieved from <https://bit.ly/2TDQzbr>

¹⁴Guzman, M. and Heymann, D., (2015). ‘The IMF Debt Sustainability Analysis: Issues and Problems.’ *Journal of Globalization and Development* 6 (2): 387–404.

¹⁵Eurodad (2018), ‘Unhealthy Conditions: IMF loan conditionality and its impact on health financing’. Retrieved from <https://bit.ly/2Tr46UU>

¹⁶ IMF. (2020).

undermining public policy objectives aimed at sustainable development and leaving countries more vulnerable to debt crises.

- Further to CSO comments in previous years, we welcome the inclusion in the draft 2020 report of information on debt service to revenue ratios. In order to promote transparency and accountability in the area of development finance it would be useful that this indicator¹⁷ is provided on a country by country basis by the relevant agencies and their reports, including the UN Secretary General Report on External Debt Sustainability, the World Bank World Development Indicators, and the IMF Fiscal Monitor.
- In some countries domestic debt is linked to pension funds, and it would be important for the report to mention the impacts of these types of debt. In addition, it is notable that the report addresses the problem of domestic debt linked with foreign investors on domestic currency bonds, but further analysis would be needed, given that the higher total public debt ratios in some countries are due to this situation, which present a very difficult perspective for renegotiation.
- Rising levels of household debt are mentioned in the opening chapter of the report but not highlighted in this section. The report should stress that factors contributing to this increase include declining wages or wage shares and the privatization and commodification of essential services. The former implies that people finance consumption increasingly through loans instead of current income from wages. The latter forces people to borrow in order to access services which should be provided as public goods when the aim is to leave no one behind. It has also created whole new asset classes (student loans / healthcare loans etc) and driven many into debt traps.¹⁸

Sustainable and responsible borrowing and lending for the SDGs

- The inclusion of assessments of the impact of the Agenda 2030 on debt sustainability is positive. This is an area of special interest to CSOs as an increase in debt burdens, and its ensuing impact on fiscal space, limits the capacity of developing countries to provide public services that guarantee basic human rights and support the achievement of the Agenda 2030.¹⁹ Areas of interest on this issue to be further developed by the IATF should include:
 - Following up on IMF research highlighted by the report, the IMF ought to consider the inclusion of the SDG financing requirements and their impact on debt sustainability as a standard element of analysis in their Article IV and LIC DSF country assessments.
 - Furthermore, the elaboration of DSAs requires the input of counterparts at national levels, such as CSOs, academia, etc. in order to integrate third party comments and views, which can contribute to diminishing risks of over optimistic projections. Such projections have led to measures that have worsened domestic economic situations, as happened in several recent high-profile cases, such as Argentina.
 - Following up on its research highlighted by the report, UNCTAD ought to pursue a country by country assessment of SDG financing requirements and their impact on debt sustainability.
 - An analysis of the linkages and implications of SDG financing requirements and debt sustainability on the design and implementation of Integrated National Financing Frameworks, including the integration of findings from gender-sensitive human rights impact assessments.²⁰

¹⁷ Debt service defined as sum of interest and amortization on short, medium and long term domestic and external debt.

¹⁸ See <https://undocs.org/A/HRC/43/45>

¹⁹ Eurodad. (2020). 'Out of service: How public services and human rights are being threatened by the growing debt crisis'. Retrieved from <https://bit.ly/3crkRGS>

²⁰ See UN Independent Expert on foreign debt and human rights (2018). 'Guiding principles on human rights impact assessments of economic reforms'. Retrieved from <https://bit.ly/2PPKtTc>

- The ongoing reviews by the IMF of its MAC DSA and debt limits policy are timely in the current context, particularly to improve the classification criteria between LIC DSA and MAC DSA countries, but also to include debt limits beyond an emphasis only on external debt, which implies new (thresholds) for domestic debt and total public debt.
- The report discusses recent developments in the area of debt management that raise some concerns:
 - The IATF identifies the need to link potential returns on public investment to the costs of the liabilities issued to finance this investment under a so-called balance sheet analysis approach. This is a concerning development for countries with large financing requirements in the context of the Agenda 2030. Focus on balance sheet management in investment decisions by the public sector would automatically exclude areas with low financial returns regardless of the social returns and positive externalities associated to them. These areas include SDGs where the public sector is expected to take a leading role in terms of financing such as SDG 1, 2, 3 and 4.²¹
 - Despite work undertaken by relevant agencies to strengthen capacities in debt management, the IMF has noted that of 65 LIE at most half implement satisfactorily any of 14 debt management tasks assessed by the organization.²² Given this context, it is highly questionable to support the introduction in LICs of complex market-based development finance instruments such as currency swaps, securitization or PPPs among others. Their introduction, even in a best-case scenario that includes the presence of strong regulatory capacity and supervision, exposes countries to financial instability and large off-balance sheet shocks.²³ In addition, given the continuing growth in commercial lending to these countries despite the debt management concerns, it is also important to tackle the supply side.
 - One dimension of the limited coverage of data is related to data on private debt and national monitoring of trends and risks related to this type of debt. This needs to be strengthened in many countries and could be a focus of the report's recommendations.
 - Aside from countries' management of debt, the trajectory must be away from dependency on debt flows and towards better, progressive domestic resource mobilization as well as people-led development planning.
- This year's report again gives necessary focus to the discussion on responsible borrowing and lending principles but does not propose specific steps to secure the 'global consensus' referenced in the AAAA. Noting the adoption of a diagnostic tool for the implementation of the G20 Operational Guidelines on Sustainable Financing, it could be useful, for example, to expand this tool to include compliance with the UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing. A positive development would be the establishment of an intergovernmental working group on responsible lending and borrowing to build on the AAAA mandate.
- The report does make a very welcome reference to how soft-law mechanisms could be a foundation for eventual legal initiatives. Civil society organisations have set out proposals on how this could be implemented, and which could be highlighted in the final report.²⁴
- More generally, explicit reiteration needs to be made in the report that co-responsibility is a key issue in the prevention of debt problems – in loan contracts, but also in agreements with IFIs. Co-responsibility also includes the need to promote a fundamental shift with regard to

²¹ UBS. (2018). 'Partnerships for the goals: Achieving the United Nations' Sustainable Development Goals'.

²² IMF. (2020).

²³ Gabor, D. (2019). 'From the Washington Consensus to the Wall Street Consensus'. Retrieved from <https://bit.ly/2lyKc4d>

²⁴ See <https://eurodad.org/files/pdf/5ca332e959ffa.pdf>

conditionalities, and the focus on austerity-policies, particularly given the social impacts linked to recent IMF programmes, and to similar (as as yet unresolved) cases in countries still recovering from the global financial crises that started a decade ago.

Innovative debt instruments

- The draft text builds on the 2019 report to make tentative proposals for a SDG debt swap programme. This gives welcome attention to and acknowledgement of the immediate need to alleviate urgent and growing external debt pressures.
- The update in the evolution of the ECLAC Debt for Climate Swap Initiative is most welcomed given its crucial importance for environmentally vulnerable countries in the Caribbean region. The discussion on SDG financing alternatives promoted by UNCTAD, involving swaps and concessional lending, seems highly relevant for the broader group of LDCs. It would be useful to further expand on these initiatives to better understand their implications.
 - The design of debt swap processes should not be used to further investment decisions by the public sector that would automatically exclude areas with low financial returns regardless of the social returns and positive externalities associated to them. As noted above, the role of the public sector is particularly critical to the realisation of SDGs 1-4, and an assumption of profit-yielding investments may run contrary to public policy priorities for development.
 - Furthermore, the use of debt-for-equity swaps should not be used as a tool of wider economic reform to drive the sale and privatization of public assets, potentially undermining states' abilities to deliver quality public services that advance human rights and further the 2030 Agenda, including women's rights and gender equality.
- As the report notes, debt swaps do not reduce debt burdens. Well-designed debt swaps can be a useful mechanism to support a freeing up of valuable fiscal space, but progress on debt swaps should not be seen as an alternative to moving forward with longer term, fundamental reform of the international architecture.
- Given the increase in debt stocks and vulnerabilities highlighted by the IATF, it is concerning that the document does not include any significant mention to debt relief as a relevant policy tool. This is becoming an increasingly relevant issue in a context where:
 - Improvements in debt sustainability achieved through the HIPC initiative have eroded in a number of countries.²⁵
 - Achievement of the Agenda 2030 using current financing structures would involve an unsustainable increase in public debt in developing countries. In this scenario, public debt stocks would reach minimum of 185% of GDP by 2030.²⁶
 - Shocks such as the COV-19 epidemic risk triggering a debt crisis in countries with vulnerable health care systems, fragile public finances and large degree of dependence on commodity exports.
 - Climate change is increasing the fiscal vulnerabilities on states, particularly those recovering from disaster. Research points to the needs for annual international financial support to address loss and damage in developing countries totalling USD 300 billion or more by the 2030s.²⁷ A comprehensive debt relief option for developing countries suffering the effects of climate disasters is an urgent need, which should involve an automatic interest-free moratorium on debt payments in the wake of an extreme event, and a pre-designed

²⁵ IMF. (2020).

²⁶ UNCTAD. (2019). 'Trade and Development Report 2019'. Retrieved from <https://bit.ly/2VMrUE5>

²⁷ See https://reliefweb.int/sites/reliefweb.int/files/resources/ClimateFinance_LossDamage.pdf

framework for restructuring the entire stock of existing public external debt to support fiscal breathing space to finance resilience.²⁸

- In the area of state-contingent instruments, despite the progress highlighted by the report, it would be equally important to highlight, as noted by the UN Intergovernmental Committee of Experts on Sustainable Development Financing, that while these instruments may help to deal with liquidity constraints in the context of a shock, additional debt relief efforts were required²⁹.

When sovereign debt relief is warranted

- Progress in the adoption of CACs is a welcome development. However, in the case of LIEs, bonds still represent a minor share of their debt. Thus, despite the improvements achieved through the inclusion of CACs in commercial bonds of developing countries as a whole, this instrument ‘can only contribute at the margin to effective debt resolution’ in LIEs³⁰. Thus, these countries continue to be exposed to ‘protracted, incomplete and non-transparent’ debt restructurings³¹.
- The report highlights the increasing challenges to timely, fair, and durable debt crisis resolution, and makes brief reference to elements of and principles vital to an improved framework, as civil society organisations have recently reaffirmed.³² The acknowledgement of the UN as a forum to take forward international policy discussions in this area is a positive note, but the report does not make specific proposals on how to take this forward, such as, for example, work to look at the take up/embedding of the principles in UN Resolution A/69/319, despite the urgency of the debt landscape. Nor are there recommendations on how to overcome the challenges that have beset previous initiatives at the multilateral level.
- Similarly, the report does not review or call for further progress to limit the aggressive behaviour of vulture funds via national level legislation.

Further remarks

- As in previous years, there is no reference made at all to the work done by the UN Human Rights Council and the Independent Expert on foreign debt and human rights. In particular, it would be important to flag the guidelines on human rights impact assessments of economic reforms, and how these can support an improved approach to debt sustainability assessments that considers countries’ capacities to meet SDG investment needs, and contribute to reformed processes for sovereign debt restructuring.³³ The formal inclusion of the OHCHR or the UN Independent Expert into the IATF’s work should be considered.
- The absence of any discussion on the importance and implications of the current situation in Argentina is glaring. While the recent announcement made by the IMF that characterizes the debt of Argentina as ‘unsustainable’ is welcomed, there are many concerns regarding the future evolution of the situation³⁴. These include among others the potential for litigation by vulture funds and effectiveness of CACs, protection of social spending floors and human rights in the context of an IMF adjustment program, as well as transparency in the implementation of the IMF exceptional access framework.

²⁸ See for example <https://jubileedebt.org.uk/loss-and-damage-petition>

²⁹ UNCTAD. (2018). ‘Report of the Intergovernmental Group of Experts on Financing for Development, Second Session’. Retrieved from <https://bit.ly/2TCRxop>

³⁰ IMF. (2020).

³¹ IMF. (2020).

³² See for example, Eurodad. (2019). ‘We can work it out: 10 civil society principles for sovereign debt resolution’. Retrieved from <https://bit.ly/2TqjGjr>

³³ UN Independent Expert on foreign debt and human rights (2018).

³⁴ IMF. (2020b). IMF Staff Statement on Argentina. Retrieved from <https://bit.ly/2PPYtNN>

- Little focus is given to the frustrating evolution of DRM across Africa – that DRM is not growing fast enough is a cause and a consequence of indebtedness. This reality can cause indebtedness as countries are using their resources to finance new debt, which is sometimes quite expensive without confronting the political economy of tax reforms. Indebtedness is also a consequence of DRM, because once debt is already at high levels, any tax reforms will end up burdening citizens with debt repayment, so the incentives are not very high. Breaking this vicious circle is critical.
- An additional issue that receives scant attention is that most of the new debt incurred in the last five years has been dedicated to large infrastructure projects. For reasons that are in fact mentioned in the report – projects that are not adequate and bring poor returns; a lack of transparency and hidden deals; or loans that are too expensive – these projects are not generating the returns needed to pay back the debt incurred. As a result, social spending cuts are the new normal.

Chapter III.F. Addressing systemic issues

Overall comments

- In technical terms, the chapter is quite informative and well-articulated. Highlighting the growing role of non-banking financial intermediation is appreciated, though the significant regulatory gap in the operations of the asset management industry, while mentioned, remains underrepresented in its importance and urgency. The renewed call for countries to “continue to step up efforts to track and regulate financial intermediation based on the function it performs rather than the type of institution involved, including with regards to fintech” is also appreciated. However, the gap in the international financial architecture is somehow underemphasised if compared to the 2019 FSDR Report, though the policy fragmentation between many institutions with different shareholders and capacity is well exposed. In this respect:
 - **IMF quota reform:** Civil society has constantly called for more fundamental reforms of IMF and World Bank, away from the “one-dollar-one-vote” voting system, for instance exploring a double-majority voting, combining a “one-state-one-vote” with a population factor;
 - **UN Reform:** The review of the UN system in the context of the 75th anniversary would be an opportunity to strengthen the UN’s role in global economic governance, to shift mandates from less inclusive organizations to the UN, to link the international work on economic and social affairs better with the work on human rights, and strengthen UN oversight and control over international financial institutions and surveillance bodies. The IATF should recall and update proposals that have been made when it comes to strengthen the economic and social affairs pillar of the UN;
- The weak point of the chapter remains the absence of a political economy analysis that exposes the profound implications of increasing financialization over the resources available for investments in productive activities and the realization of human rights as well as the significant undermining of national sovereignty by reducing the policy space to advance the structural transformation of domestic economies;
- In the true spirit of Monterrey, we would therefore appreciate if future IATF analysis would also focus on the systemic obstacles to productive transformations in developing economies are generated by the current under-regulated and fast-expanding patterns of global finance, with its primarily speculative motives and complete lack of democratic accountability.

Specific comments

- **Digital currencies:** The chapter features a good analysis of digital currencies, but strangely fails to call for urgent filling of the normative vacuum prior to the sector developing further modalities and initiatives. While innovation advances at rapid pace and it might be difficult to regulate such a fast-evolving sector, early regulation might positively influence the direction of the evolution and offer guidelines to avoid unintended developments;
- **Finance and climate change:** The section covers many important points but misses one fundamental point, namely the close relations between global finance and climate change. Future iterations of this issue should expose the role of financialization and unregulated global finance in promoting critical dynamics that drive climate change;
- **Monetary policy:** It is welcome that the IATF report flags the need to make “QE more people-centred” and flags initiatives that aim to use monetary policy for climate-related policy objectives, such as those by the Greening the Financial System Network (p. 172). It should be further explored how monetary policies could be used more directly for SDG-financing and for stimulating aggregated demand in a socially just manner. It is obvious that the current way QE is done has led

to asset price inflation, but not to a stronger and fairer economy. In view of the immediate responses to the crisis, it is essential to advance a critical assessments of QE measures. CSOs have worked on QE through campaigns such as “Quantitative easing for the people”, which recommends that money created through QE is spent through governments on infrastructure investment, green technology or as cash transfer to private households. There should also be a redistributive element between countries, hence the civil society’s proposals for the IMF to issue Special Drawing Rights with adequate mechanisms to allocate them to developing countries beyond quota limitations;

- **IMF cooperation with Regional financing arrangements** (p. 176): Such cooperation makes sense to pool resources, but it can lead to conditionality inflation, as all parties add and aggregate ‘their’ conditions. This was evident in the Troika programs in Greece, for example. Conditionality inflation must be avoided. Both RFAs as well as the IMF should respect policy space. They should not attach policy conditions to their loans;
- **IMF conditionality reform** (p.177): This should lead to more and earlier use of debt restructurings, so that IMF resources can be used to reactivate the economy, not be diverted to bailout legacy creditors. This should also reduce the cases of repeat borrowers and increase the percentage of IMF programs are effective:
 - The IATF report includes a rather one-sided view on the review of IMF conditionality: “The Fund has also reviewed the policy conditions to which countries agree for IMF loans as part of its 2018-2019 review of “conditionality.” The review found three-quarters of IMF-supported programmes undertaken between September 2011 and December 2017 were successful or partially successful in achieving their objectives, such as resolving balance of payment problems and fostering economic growth. With a view to raising the rate of success, the Fund agreed its staff would bring “more realism, granularity, gradualism, and parsimony in programmes, as well as sharper debt sustainability analyses to mitigate any bias in judgment and ensure more balanced consideration of debt [restructuring] operations, where warranted.” This passage ignores that the majority of IMF programs remain focused on austerity, which has a dampening effect on economic activity and squeezes public spending/investment. A fact recognized by the IMF itself in its review: “Programs”, they note, “also appear to have systematically underestimated the impact of adjustment on growth”;
 - The review fails to account for the human and development impacts of IMF lending programs, including adverse effects on inequality, public service provision and labour rights. For instance, on inequality, recent academic research found that “overall, policy reforms mandated by the IMF increase income inequality in borrowing countries”,³⁵
 - IMF programs include a large number of conditions - imposing an administrative burden on borrowing countries;
 - The Review recognized it should improve Debt Sustainability Assessments, as they tend to have overly optimistic views on the impact of fiscal consolidation on addressing debt vulnerabilities and economic growth projections. In improving the DSA toolbox, the IMF should move towards inclusion of development priorities and human rights obligations, such as through the consideration of SDG financing requirements and their impact on debt sustainability, and findings from independent and gender-sensitive human rights impact assessments as a standard element of analysis in their Article IV and LIC DSF country assessments;

³⁵ Forster et al, How structural adjustment programs affect inequality: A disaggregated analysis of IMF conditionality, 1980–2014: <https://www.sciencedirect.com/science/article/abs/pii/S0049089X18300802>

- A lack of development-focused DSAs leads to prioritizing austerity-focused lending programs to over-indebted states. High debt service payments topped off with austerity measures are putting a strain on human development;
- **Capital flow management:** The IATF could do more analysis on good practices in capital flow management. As exposed in the COVID section, the recent corona-induced volatility with massive capital flight out of developing countries proves that it is important for countries to manage capital flows and use the full spectrum of the policy toolbox when needed.

Chapter III.G. Science, technology, innovation and capacity building

Overall comments

- The report fails to account for the valuable and complementary contributions from diverse knowledge sources - formal, informal, indigenous, local, etc. Para 117 of the Addis Agenda explicitly recognizes the important contribution of traditional and indigenous knowledge systems and innovations and the importance of participation of and partnership with communities and civil society for the achievement of the SDGs. Traditional innovations that contribute to the wellbeing of communities, address inequities and empower people should equally be incentivized and access innovation funds.
- Capacity building is key to ensure consistency in regulatory guidelines across different jurisdictions, as well as increase the speed of regulatory change through systems such as planned adaptation, integration of real-world evidence, and feedback loops that allow for changes in regulations/policies based on observed impact.
- The report should consider the role of citizen science in informing decisions and policies around new technologies.
- The report should have a dedicated section on the importance of open science and democratization of science, especially in light of UNESCO's ongoing consultation to develop a standard-setting instrument on the topic, to be adopted by UNESCO member states in 2021. This should go beyond the small section in Chapter 2 that mentions open access.
- The section on gender and inclusion needs to be enhanced beyond statistics around degree completion. It should recognize conscious and unconscious bias in the design of technologies, including digital technologies like AI. Risks emerge from viewing technological systems as being value-free decision aids and social equalizers, because in practice systems created by humans inherently reflect their biases. Examples of this are discriminatory design and algorithmic bias in the context of machine learning, as has been recently addressed in the EU's GDPR. Building on various Human Rights Council Resolutions, science, technology and innovation in practice should ensure designs sensitive to and inclusive of a broad spectrum of sexual orientation and gender identity. There needs to be more substantive recommendations around cultural and structural barriers that perpetuate gender gaps in science, technology and innovation.
- Special attention should be placed on the growing concentration of data, wealth, and knowledge by a few private actors, unlawful state-sponsored applications of digital technologies, and the need for ensuring safe digital spaces for young people to fully benefit from the digital revolution.

Measuring progress towards the AAAA: New and emerging technologies and the SDGs

- The report fails to mention the need for multi-stakeholder, anticipatory technology assessment mechanisms that better account for the potential short-and-long term social, economic, environmental, and legal considerations of technologies. This should be done not only for new and emerging technologies, but also those that have already been deployed to consider new policies to mitigate their negative impact in a more proactive rather than reactive manner. Governance mechanisms for technology assessments need to be strengthened to make technology assessment possible and useful.
- Some mechanisms that have been designed for technology assessments across different institutional levels include the following: UN system (e.g. Subsidiary Body for Scientific, Technological and Technical Advice to the UN CBD), academia (e.g. MIT's Program on Emerging Technologies: Assessing Implications and Improving Technologies), government (e.g. European Network for Health Technology Assessment), civil society (e.g. Technology Assessment Platforms

led by the ETC Group; Participatory Technology Assessment of NASA's Asteroid Initiative), and those from technology developers themselves.

- Highlighting the impact of new and emerging technologies is difficult, as there is a lag between technologies being developed in the R&D space and those used in practice. Additionally, the public and private perceptions of technologies can differ, with the latter often based on financial speculation of technology's future value, not necessarily the proven impact or benefit it can bring to society today. This sort of behaviour leads to an obsession with delivering new innovations, maintaining ever-increasing speculation that leads to economic growth without tangible benefits to people and the planet. Rather, more focus should be placed on scaling existing, proven innovations that improve livelihoods and promote environmental well-being, while reducing gaps in access to basic human rights (e.g. water, health, food).
- Embedded in the discussion will always be a dimension of uncertainty, much of which can be influenced by the way information is perceived, collected, analysed, and communicated. There should be careful attention as to how data and information can be manipulated to influence perceptions and policies.
- Policy decisions taken today have implications on capacities for accelerating progress towards the SDGs in the future, policy responses should be carefully considered to avoid 'path dependence' and 'technology lock-in'.
- The report fails to provide a strong link between new technologies and the environment, beyond referencing the increased energy consumption associated with digital technologies (in particular data centres). It has already been widely demonstrated that human activity has a significant impact on earth systems. Specific reference should be made to planetary boundaries and biologic carrying capacities, many of which have already been passed due to the consumption-driven economic market. There should be recommendations on how to shift from a linear model of extraction of resources, use and disposable to more circular models (e.g. recycle, sharing economy).
- While the applications of AI and automation have accelerated access to many benefits, they have also raised the risks of potential bias that discriminate against certain groups. The more we rely on AI systems, the more risk we take on and vulnerable we become to potential mishaps. Cases have documented the potential issue of encoding bias in automated decision systems such as credit reporting, employment opportunities, and criminal justice. This can often be the case as AI systems depend heavily on the training sets that are fed to them to make predictions about new information presented. If the data fed is inherently biased or misinterpreted, it may lead to issues despite strong predictive powers.
- Human decision-making processes may be susceptible to bias as well, but accountability frameworks for AI systems are more ambiguous and new governance systems are needed for the emerging class of technologies and their applications. A risk that may emerge is the diffusion of responsibility.

Fintech trends and financial inclusion: UN Actions on Science, Technology and Innovation

- The report should make specific reference to technology justice as an integral part of development justice, GA resolutions 72/242 and 73/17 as well as the Secretary General's Strategy on New Technologies. The Strategy specifically talks about how new technologies can be used to accelerate the achievement of the 2030 Sustainable Development Agenda and to facilitate their alignment with the values enshrined in the UN Charter, the Universal Declaration of Human Rights and the norms and standards of International Laws. In the context of reducing inequalities, the report should also specifically mention inclusivity as a key design principle in developing and

deploying both existing and new technologies, while providing examples for policies that can promote this.

- While progress made within the TFM was discussed, the report fails to mention the dire need for financial support for the TFM to better accomplish its activities. The TFM does not have any specific core funding allocation and little country contributions (e.g. Japan supports the S&T roadmaps workstream of the IATT) help operationalize its components. The Report should call for allocation of financing for the fulfilment of the TFM's mandate.
- Promote interlinkages with the S&T implementation/review frameworks across the UN System (e.g. UNISDR S&T Roadmap for the implementation of the Sendai Framework for Disaster Risk Reduction).
- The High-Level Panel on Digital Cooperation could be referenced, including some of the valuable recommendations that came from their 2019 report. It highlights the unique risks from fragmentation, which goes against the interconnectedness that defines the digital age. It highlights the important role of multilateralism for promoting inclusive and equitable digital cooperation; this is especially relevant given the link to the UN75 theme and issue area on digital technologies. Furthermore, it urges for a set of metrics for digital inclusiveness with reporting using disaggregated data.

Chapter IV: Data, monitoring and follow-up

Overall comments

- The critical dimension of the FfD follow-up are the normative policy developments called for in all the FfD outcome documents i.e the development of global policy guidelines and safeguards. Advancing the normative agenda on FfD requires appropriate multi-year planning and a clear preparatory pathway, that includes adequate knowledge generation preceding the political negotiations. While the political dialogue needs to be based on the leadership of Member States, the IATF Report could contribute to this process.
- We therefore continue to call for establishment of formal/informal thematic working groups to provide this preparatory pathway as well as space to work on issues that remain unresolved in the negotiations.