

ACT Alliance position on sustainable development finance towards a post-2015 agenda



ACT is an alliance of 146 church and church-related organisations. We work together for sustainable change in the lives of people affected by poverty and injustice through coordinated humanitarian, development and advocacy work.

146

members, rooted in the communities we serve

76%
global
south

22%
global
north

2%
global

25,000

member staff and volunteers in

140

countries, working together for sustainable change

ACT Alliance is on the frontlines of addressing systemic poverty; supporting survivors of disasters, wars and conflicts; training rural communities in sustainable agricultural techniques; helping people adapt to environmental change; and influencing governments and other key decision makers to safeguard human rights.

Eradicating poverty is not just about addressing symptoms like the lack of income or material assets held by individuals. It is also about addressing the systemic and structural factors essential for overcoming poverty, factors that deprive women and men of their dignity, rights, and entitlements. Policies that hope to eradicate poverty also need to focus on the processes that contribute to the social exclusion and exploitation, discrimination in access to productive resources, and exclusion from participation in decision-making bodies that bars certain women and men from the full enjoyment of their rights. In addition, eradicating poverty also requires growing opportunities for decent and fairly compensated work for all in dynamic and sustainable economies.

The decision of the UN General Assembly to hold a third International Conference on Financing for Development (FfD) on 13-16 July 2015, in Addis Ababa, Ethiopia, was welcomed by the majority of UN members, especially from the South, as well as by civil society around the world. This conference could become a key moment in shaping the future development finance paradigm. It will provide an appropriate platform to discuss how to concretely implement and finance sustainable development goals. Above that it offers the international community the opportunity to agree on international commitments on systemic issues in the areas of debt mechanisms and financial architecture as well as mandating a robust follow up process.

This Conference will be the third international event on the theme of financing development. The first was the World Summit on Financing for Development (FfD) that took part in **Monterrey, Mexico, in 2002**¹, which

signalled a shift in discussions on aid from international assistance towards putting domestic resource mobilisation and systemic issues for a framework for development at the centre of the agenda. It also included discussion and decisions on debt relief and the aid effectiveness agenda. The second International Conference on Financing for Development in **Doha in 2008**² added illicit financial flows and tax evasion to the agenda. The Doha outcome led to the 2009 UN Financial Crisis Conference which pushed reform of the global monetary system up the agenda in response to the world financial and economic crisis, and produced a **UN Outcome Document on the Financial Crisis**³ as well as excellent proposals by a **UN Expert Committee**⁴ chaired by former World Bank Vice President Josef Stiglitz on the reform of the financial architecture. Unfortunately, neither the Doha nor Financial Crisis Outcome Documents nor the expert proposals saw meaningful follow up.

Today, the world has changed and The UN has tasked an Intergovernmental Committee of Experts to present proposals for Sustainable Development Financing (**ICESDF**).⁵ Along with the results of the Open Working Group (OWG) on **Sustainable Development Goals (SDGs)**⁶ and the synthesis report of the UN Secretary-General, these new proposals will be of utmost importance to prepare for the third Financing for Development Conference.

The timing of this upcoming FfD conference will be just a few months before the UN summit on post-2015, which will give developing countries an opportunity to demand meaningful commitments from donor and recipient countries on changing the existing finance framework, rules and practices. As developing countries play a far more important role in the UN than in other economic forums such as the G20 and the International Monetary Fund (IMF), and as the Financing for Development processes have traditionally been quite transparent and open to non-governmental organizations, there is a great opportunity for civil society groups to push for real changes that benefit people living in poverty and help create a more just and sustainable finance architecture.

Therefore, members of the ACT Alliance network hope that governments agree on clear and concrete recommendations that help to create a more stable and fair financial system and ensure financial resources are appropriately harnessed to achieve sustainable development, and thus improve the likelihood of a successful outcome to the negotiations around the post-2015 Sustainable Development Goals (SDGs).

In today's changing development architecture, there is a declining role for official development assistance (ODA) and public finance systems in general. Instead, all major international institutions show emerging trends of domestic resource mobilization, foreign direct investments (FDI) and private sector finance, including public-private partnerships as primary sources of sustainable development finance.

If sustainable development finance is to truly serve the people, there is also a need to address the unsolved problem of sovereign debt in many countries, as well as trade barriers, the need for climate finance and progress on financial market regulation.

In this spirit that we must continue to seek alternative sources and systems of financing that are rooted in the responsibility for redistributive justice⁷.

Domestic resources Sufficient, fair and redistributive taxation

There are many options for raising and strengthening domestic financing for sustainable development to help finance public services and essential common public goods, including a social protection floor and environmental protection. The main instruments are progressive redistributive measures and taxation to tackle inequality. Many of us in civil society believe this should be the priority, instead of the current over-reliance on private sector investments or leveraging private finance.

It is important that fiscal policy and domestic resource mobilisation in general also pay attention to the distributive impact of how resources are raised and spent, including the impact on gender equality. It is concerning that there appears to be a marked preference for regressive, indirect taxes, complemented by a hollowing out of progressive direct taxes on high-income earners and capital, in many rich and poor countries alike. On the spending side, budget allocations consistently fail to prioritise sustainable development and human rights imperatives. Therefore while the Financing for

Development negotiations are likely to focus on raising sufficient resources, we would also argue that the process should look to create new norms in the area of fiscal policy by including greater economic equality as a core objective and promoting tools such as gender-budgeting.

Christian Aid estimates that around \$160 billion is lost from developing countries every year due to tax evasion. Therefore, alongside addressing capacity and constraints to stronger domestic tax systems, it is important to address tax evasion and the avoidance practices of domestic enterprises, transnational companies, and wealthy individuals. In addition, capital flight and illicit financial outflows and corruption further weaken the resource raising capacity of developing countries.⁸ Current tax regimes in many countries still do not have appropriate policies or capacities to fight tax evasion and tax avoidance, in part because of weak domestic tax laws, in part because of easy access to secrecy regimes or tax havens, and in part because of abuses by firms where tax laws are ambiguous. Developing countries can rarely match the legal teams of multinational firms operating in their countries.⁹

International tax cooperation should prioritise human and sustainable development concerns and aim at fairly taxing economic activity where it takes place by addressing "profit shifting" and requiring country-by-country reporting of multinational company activities, as well as automatically exchanging financial information and disclosing the beneficial ownership of companies to tax authorities. Also, governments should

collaborate and promote integrated spill-over analyses of all major tax reforms to avoid offering competing tax incentives to attract investors that erode their national tax base and undermine their national budget capacity for social development.

Therefore, taxation is an area that must be dealt with in a universal post-2015 agenda. Concrete targets and recommendations can be established at country level, including through the review and strengthening of legislation for taxing multinational company operations, particularly in the area of extractive industries. The Organisation for Economic Co-operation and Development (OECD) and G20 have begun to strengthen cooperation among their tax authorities, and have initiated the 'Base Erosion and Profit Shifting' (BEPS) process to tackle some parts of the problem. Unfortunately, the BEPS process misses some key issues of importance to developing countries, and the interest in ending taxpayer abuse goes beyond G20 and OECD countries. Therefore new processes and new institutions at the level of the United Nations are required, which should strengthen the ability to tackle tax evasion and avoidance both regionally and globally.

Governance and transparency

The return of illicitly removed funds not only restores resources to their countries of origin, it also helps fight corruption. The UN Convention against Corruption thus includes provisions for the return of funds illicitly removed from a country by corrupt officials and there is a joint UN Office of Drugs and Crime and World Bank programme to try to facilitate this process (Stolen Asset Recovery Initiative, StAR). Despite these advances, the amount of resources so far returned is disappointingly small. The G20 has taken on this issue, and each member country has reported on its national requirements to return stolen assets.¹⁰ These reports show not only a wide range of legal practices in each country, but also widespread national impediments and delays in return of assets.

The international community agreed to support the return of illicitly removed assets, but further development of cooperative legal processes is warranted. This problem area needs additional work at the international level and should be addressed at the Third Financing for Development Conference in Addis.

There is also a need for additional development-related information, disaggregated and timely data and research to guide policy decisions, as well as for supervision through democratic institutions, including parliaments. Further, there should be accountability and a monitoring role for independent media and an active and empowered civil society to hold governments to their commitments.¹¹

Official Development Assistance (ODA)

Least developed countries, in particular, still do not have the capacity to finance their progress on internationally agreed development goals by their own means and therefore need external support. For those countries, the implementation of agreed international commitments to provide official development assistance (ODA) is essential. While the official definition of ODA points out that it has to serve development, donors are still reviewing what the term "development" includes. In general, civil society has the view that ODA must include anti-poverty spending, some of which should be used for global public goods, such as climate change mitigation and health, which benefit the world as a whole as well as developing countries. The OECD is in a process of a re-definition of ODA, which maintains the core function of poverty eradication, but also introduces a new concept called "total official support of development" which would include new sectors like peacekeeping, police training and expenditures that are less concessional and have a lower grant element than ODA. The important question for recipient countries and civil society is what effect this re-definition will have on the 0.7% ODA commitment.¹²

First of all, there is a need to set binding

timetables to make sure donors meet their 0.7% ODA commitments and the 0.15-0.20% ODA/GNI (Gross National Income) target for assistance to least developed countries (LDCs). ODA has always intended for financial transfers and technical assistance to developing countries to contribute towards ending poverty and to promote social development. Any new definition of ODA should therefore include ending the tying of aid, remove in-donor student and refugee costs from ODA statistics, provide relief from debt obligations to donor governments, and count only the genuine costs to the donor of concessional loans. In addition, ODA should remain a stand-alone category in the new financing for development framework and not be blended with private financing.

Innovative finance

As Financial Transaction Taxes, which 11 EU countries are currently developing and will introduce by 2016, have the potential to raise substantial revenue they should be included in the range of instruments available to finance sustainable development. At least part of the revenue should be used for additional financing to tackle poverty and climate change, protect global public goods and fund public policies in LDCs such as health systems and education. More countries should be encouraged to impose these taxes and apply a portion of the resources to development cooperation.

Aid effectiveness

Public development finance should align to development effectiveness principles as outlined in the Busan Partnership for Effective Development Co-operation¹³ and should comply with international standards on responsible finance. Relevant processes like the UN Development Cooperation Forum (DCF) and OECD Global Partnership for Effective Development Cooperation (GPEDC) should cooperate and harmonize their principles and activities to assess the developmental character of different financial flows for all

development actors. UN DCF and GPEDC should collaborate to enhance to ensure that all sources of financing for development are used effectively in relation to public flows, to non-public or non-ODA flows as well as in relation to the new donors from emerging countries.

Private sector in sustainable development

The overwhelming majority of economic activities and employment, as well as innovation and entrepreneurship, take place in the private sector, ranging from large firms to small enterprises and farms. Therefore there is increasing interest among countries providing development assistance to cooperate more intensively with private enterprises. However, development interests are not necessarily the same as corporate interests, and involving corporations in international development policies does and will – in many cases – compromise the public interest. In order to mitigate and minimize these risks and to ensure that private finance will deliver specifically intended development outcomes, a very well defined and strictly implemented regulatory framework needs to be in place and be well monitored and supervised.

Codes of conduct

Companies are becoming increasingly aware of the need to mitigate the negative impacts they may have on people and the environment. This has led to a growing number of codes of conduct for corporations, both as regards domestic and foreign direct investment, including Global Compact and the Accord on Fire and Building Safety in Bangladesh among others. The quality and effectiveness of the existing instruments vary considerably. While the Accord on Fire and Building Safety in Bangladesh includes independent inspections, public reporting and mandatory improvement measures and gives workers and unions a central role in oversight and implementation, the Global Compact merely sets up minimum standards, without any effective

monitoring and enforcement provisions. When implemented in a meaningful and participatory way, voluntary initiatives can impact positively on society. However the effect of many existing corporate social responsibility policies remains minimal. Recent research issued by the European Commission comes to the conclusion that corporate social responsibility (CSR) makes no significant societal contribution in Europe. According to the study, public laws and regulatory measures are far more important if public goals on job quality, the environment and the economy are to be achieved.¹⁴

Corporate accountability rules

While companies are being granted extensive investor rights and are accessing markets and raw materials worldwide, there is a lack of effective mechanisms to prevent human rights abuses associated with business activities and to hold corporations accountable for violations. A first step towards closing the gaps are the UN Guiding Principles on Business and Human Rights, which were adopted by the human rights council in 2011. These principles address existing state obligations to protect human rights against abuses by business enterprises as well as the responsibility of corporations to respect human rights. The principles also call on States to develop meaningful action plans for implementation of effective policies, regulation and adjudication. Building on the progress made by the UN Guiding Principles the international state community should also consider filling the remaining protection gaps by developing an international normative framework, including due diligence requirements as well as operations abroad, supply chains, and effective access to justice across borders.

The World Bank's International Finance Corporation

The World Bank's International Finance Corporation, which lends and invests with private firms, is required to undertake social

and environmental due diligence but has been criticized for not being strong enough in this regard. The World Bank should also be guided by the UN Guiding Principles on Business and Human Rights and other agreed standards in its lending and investment policies to make sure that its investments and loans do not contribute to human rights violations.

Public-private partnership

Donor states must recognise that before scaling up public and private financial cooperation through an expansion of public-private partnerships, a serious assessment of development outcomes and the transparency and accountability of existing and proposed mechanisms should be undertaken. The quality of investments matter, not just financial performance, and monitoring quality will require long-term instruments and incentives. The catalytic role of ODA in investing in people should be harnessed through a focus on small and medium enterprises and peoples' corporations where peoples' activities can effectively address the three pillars of sustainable development. Such assessments should lead to the establishment of a set of common standards and criteria to guide financial decisions on a case by case basis. These criteria should include issues such as impact on poverty reduction and social cohesion, equity and inclusiveness – in particular as it relates to service delivery. The criteria should address gender equality and environmental sustainability, including sustainable management of natural resources. They should address the impact on local populations, access to land and productive resources, as well as labour rights and building the capacity of local human resources.

Blending loans and grants

Blending loans and grants means or the combination of grant aid and other private or public sources of finance, such as loans, risk capital and equity, has become common practice in international development finance.

It is one of the mechanisms regularly used by development finance institutions such as the European Investment Bank (EIB), the German Kreditanstalt fuer Wiederaufbau (KfW) and the Nordic Investment Bank. Blending can take a number of forms, most commonly direct investment grants, interest rate subsidies, and technical assistance. Such grant aid is intended to leverage additional non-grant financing, generally for long-term infrastructure, energy or private sector development projects, to meet investment needs.¹⁵ In the case of blending of official loans, grants and public guarantees, issues of added value, opportunity costs and the necessity of an appropriate grant element should be given particular attention. Priority should be given to projects and programmes that aim to support and consolidate the development of the local private sector, in particular, small and medium enterprises in developing countries, including through procurement and local private finance. Moreover, each publicly supported project should include a poverty impact assessment and a study of its economic, social, environmental and sustainability impacts. These studies should be public and all projects should be required to undertake a process of free, prior and informed consultation with the people directly, indirectly and potentially affected by the project, taking into account existing guidelines and tools to assess the risks and potential impacts on human rights.

Sovereign debt workout mechanisms

The numerous difficult debt problems in Europe, as well as in several small island developing countries and most recently in Argentina, occur because there are no commonly agreed principles and criteria to guide lending, including concessional lending, to developing countries like the ones recently proposed by the United Nations Conference on Trade and Development (UNCTAD).¹⁶

In addition, despite commitment to address the issue by the International Monetary Fund, there is still no one coherent mechanism

for speedy, adequate, effective and fair workouts from debt crises. Numerous UN General Assembly resolutions have offered a mandate to develop a sovereign debt workout mechanism, in order to reduce the costs and development damage done by debt crises. While much conceptual work has been done in recent years, including by the UN system, concrete action for implementation remains elusive. Recently the United Nations member countries of the South (G77 countries) and China have tabled a resolution "Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes". This resolution was adopted by the UN General Assembly on 9th September 2014 and now provides an historic opportunity to bring the major stakeholders together to set up an intergovernmental process with an institution-building mandate¹⁷ to end the unregulated piecemeal approach. Several NGO networks propose that the FfD follow up process could provide the basis for further decisions to design the rules of a fair and comprehensive debt workout mechanism.

Trade as engine for development

International trade and investment agreements often restrict governments' ability to regulate foreign investment in the public interest. They promote investors' rights, often at the expense of fulfilling human rights obligations, and constrain countries' abilities to set policy to achieve sustainable development objectives.

The World Trade Organization (WTO) negotiators have tentatively agreed to a new package of agreements, including on trade facilitation and technical assistance, but that agreement has not yet been adopted. Also, work on major trade policy problems, such as agricultural subsidies, still lacks consensus. Instead there have been important attempts to agree in smaller gatherings but without result as yet. The WTO has promised to deliver a proposal by December for completing the Doha Development Agenda, after which it will be left to governments to adopt and implement

this proposal of work. The FfD conference should appeal to countries to complete the Doha Development Agenda. Moreover, trade and investment should be oriented to contributing to states' human rights obligations and international social, environmental and climate change commitments. Therefore, future international trade agreements should contain a human rights clause allowing the suspension or amendment of any treaty provisions that put human rights at risk. These agreements should also provide for the establishment of an independent and transparent complaint mechanism to deal with cases of investment-related human rights abuse.

Financing a global climate deal

While the financing for a global climate deal has not yet been a part of discussions in the FfD process, if any agreement to reduce global warming can be reached by 2015, there will be a need for large-scale financing of carbon emission mitigation as well as adaptation. The public-private infrastructure financing initiatives could be an appropriate channel for the international investment required, as well as the Green Climate Fund for more concessional flows. Important other sources of funds include broader use of carbon taxes, financial transaction taxes or a more effective cap and trade system. These could be adopted country by country or regionally, though a global agreement on such taxes would be best. A framework is needed for private finance, with a clear definition and ensuring safeguards, political control, and national ownership.

Finance that serves the people as well as the environment

The recent financial crisis provides adequate evidence that the system of financial regulation as it is currently designed and oriented does not respond to the demands of sustainable development. The bailing out of banks and stimulus programmes during the worst of the crisis imposed a huge burden on people as well as states' budgets and economies.

Millions of people have been pushed into unemployment and poverty in developed and developing countries. The public interest has to be better considered in the process of re-designing and then enforcing financial regulations. There is a need for countries to adopt adequate measures to prevent private financial institutions from remaining so big or so complex that their failure would have catastrophic effects on the real economy, thus requiring that they be bailed out once again by the public.

However, financial regulators are increasingly expressing concern that some of the regulatory reforms that were deemed essential in the depths of the crisis have been weakened and delayed. In addition, the full extent of the reform mandate is too narrowly focused on prudential regulation of individual institutions and markets to show concern about systemic global instability. However there are also important matters of short-term financial speculation flows across borders that disrupt policy choices in developing countries, restrict policy space and make clear the mistakes made in abandoning capital controls. It is clear that financial regulation needs to be strengthened, including through the use of capital controls to regulate cross-border capital movements. This may include, for instance, financial transactions taxes which have the potential to raise as much hundreds of billions of dollars a year for governments to tackle poverty, reverse austerity measures and address climate change. These taxes could also help regulate markets by providing a disincentive to the most destabilising financial trading practices.

The main challenge is how to reduce the growth of dangerous financial products and speculative flows. All actors in financial markets should be subject to effective supervision. In particular, shadow banking has to be controlled and regulated, and all derivatives markets should be subject to strict supervision. Innovative financial products should go through a clearance procedure to

ascertain they are both consumer friendly and not harmful to the stability of the system. Building on the work of the Financial Stability Board, designs for regulation go beyond G20 countries and therefore should not only be discussed at G20 level but also brought to the global level of the United Nations.

Financial stability, particularly in developing countries, is critical in its contribution to environmental stability, and there is therefore a need to connect financial and economic policy-making to the environment. Market volatility and financial crises create pressure to exploit natural resources. Likewise policy responses to financial crises must take into consideration the impacts on the environment. In addition, regulation of the financial markets must underpin the Sustainable Development Goals, as well as the forthcoming climate agreement to be adopted in Paris 2015.

Final remarks and outlook

At the core of the debate on a post-2015 agenda is how to set national and international policies so as to reach the important goals of poverty eradication; raising standards of living, especially in developing countries; and environmental sustainability. As mentioned in the introduction, eradicating poverty is not just about addressing symptoms by providing aid and financial resources. The world's existing resources are more than enough to cover all the financing needs of a sustainable future. It is also about addressing the systemic and structural factors that place barriers to the full integration of the poor into their national economies and to the full integration of poor countries into a global sustainable system. These are the very root causes of poverty.¹⁸

Therefore, these recommendations will only lead to a truly sustainable development and its sustainable financing if accompanied by an honest political will to search for and provide spaces for new economic approaches. This includes thinking about deeper reforms, like implementing the concepts of a social and solidarity economy. This is a challenge

as today's economic and financial systems and the dominant development paradigm are strongly intertwined – in our thinking as well as in reality – and all based on economic growth. But decoupling economic growth from environmental degradation has so far not proven possible. Therefore it is important to broaden the discussion on the development paradigm and the related economic system. Achieving the recommendations on sustainable development finance proposed in this paper are only one step towards a profound transformation of society with the ultimate goal of providing a good life for all while respecting and protecting the ecological limits of our world.

Recommendations

Along with many other CSOs, the ACT Alliance calls on governments to endorse initiatives at the Third Financing for Development Conference in 2015 in Addis that would lead to policy reforms and new measures to ensure appropriate financial resources and an enabling environment to achieve sustainable development financing. Our proposals include:

1 Introduce progressive direct taxation and gender-budgeting

National fiscal policy and domestic resource mobilisation should pay attention to the distributive impacts of how resources are raised and spent, including the impact on gender equality. Instead of regressive, indirect taxes, there should be progressive direct taxes on high-income earners and capital, in rich and poor countries alike. Budget allocations should prioritise sustainable development and human rights imperatives. The Financing for Development process should look to set norms in the area of fiscal policy by including greater economic equality as a core objective and promoting tools such as gender-budgeting.

2 Establish an international body on tax cooperation

Domestic resources for sustainable development should be enhanced through combatting tax evasion and introducing progressive domestic taxation. Progressive taxation systems are an important means for countries to meet their human rights obligations. Sustainable development should not be undermined by tax avoidance, evasion and other forms of illicit financial flows. To solve that problem, tax coordination at international level is needed. Although some problems of the international tax system may be addressed through the OECD Base Erosion and Profit Shifting (BEPS) project, developing countries interests have not yet been addressed and need to be solved at regional levels and brought to a global forum like the UN. As a first step, the UN Committee of Experts on International Cooperation in Tax Matters should be upgraded to become an intergovernmental body with a commitment to formulating rules that will put an end to tax evasion and avoidance. For the longer term, the Conference should envisage the establishment of a new international institution for tax cooperation to lead global tax discussions.

3 Promote transparency and accountability

Transparency and accountability should be at the heart of the sustainable financing strategy and promote the use of open data which are comprehensive, comparable, timely and accessible to all development actors. All governments should systematically publish standardized and comparable revenue and expenditure data and link them to performance data so that citizens can track resources to results.

4 Implement commitments on official development assistance

There is a need to set binding timetables to make sure donors meet their 0.7% ODA commitments and the 0.15-0.20% ODA/GNI target for assistance to least developed countries (LDCs). Any new definition of ODA should include ending the tying of aid, removing in-donor student and refugee costs from ODA statistics, relief from debt obligations to donor governments, and count only the genuine costs to the donor of concessional loans. ODA should remain a stand-alone category in the new financing for development framework and not be blended with private financing.

Financial transaction taxes should be included in the range of instruments to finance sustainable development. At least part of the revenue should be used for additional financing to tackle poverty and climate change, protect global public goods and fund public policies in least developed countries (LDCs). More than the 11 EU countries should be encouraged to impose these taxes and apply a portion of the resources to development cooperation.

Public development finance should align to development effectiveness principles as outlined in **Busan**¹⁹ and should comply with international standards on responsible finance. These principles should be developed further so that all sources of financing for development are used effectively in relation to non-public or non-ODA flows as well as in relation to the new donors from emerging countries. Relevant processes like the UN Development Cooperation Forum (DCF) and OECD Global Partnership for Effective Development Cooperation (GPEDC) should cooperate and harmonize their activities to assess the developmental character of different financial flows for all development actors.

5 Agree on socially and environmentally accountable business operations

There should be a critical review of the envisioned role of business in the future development agenda. Binding corporate accountability rules should be agreed on to ensure that private sector actors respect human rights, environment, development effectiveness principles and promote sustainable development. The rules should build on effective implementation of the UN Guiding Principles on Business and Human Rights and include human rights due diligence regulation for national and global business operations, effective access to justice and compensation for victims of corporate abuse.

The World Bank should also follow the UN Guiding Principles on Business and Human Rights and other agreed standards in its lending and investment policies to make sure that its investments and loans do not contribute to human rights violations. In case of blending of loans and grants, the issue of added value, opportunity costs and necessity of a grant element and public guarantees should be assessed.

6 Develop processes for sovereign debt workouts

There is a need for an impartial and transparent international debt arbitration mechanism to ensure efficient restructuring of debts. Therefore, following the resolution adopted by the UN General Assembly on 9th September 2014, an intergovernmental process must be set up, that has an institution-building mandate²⁰ The FfD follow up process could provide the appropriate basis for further decisions on the rules of a mechanism to enable efficient, speedy and legally binding restructuring of debts during sovereign debt crises. In addition, countries should decide to adopt and develop further the UNCTAD principles and criteria to guide lending, including concessional lending, to developing countries.

7 Trade and investment need to respect human rights

While trade and investment decisions will be made to take advantage of profit opportunities, they should honour states' human rights obligations and international social, environmental and climate change commitments. Therefore, future international trade agreements should contain a human rights clause allowing the suspension or amendment of any treaty provisions that put human rights at risk. These agreements should also provide for the establishment of an independent and transparent complaint mechanism to deal with cases of investment-related human rights abuse. In addition, the FfD conference should support the appeal to countries to complete the Doha Development Agenda.

8 Climate finance should be additional funding

Revenues used for national and international climate mitigation and adaptation purposes, including capitalizing the United Nations Framework Convention on Climate Change (UNFCCC) Green Climate Fund, should remain additional to ODA and a separate category of funding in the new financing for development framework. It is also important to cut fossil fuel subsidies and reallocate those funds to low carbon development. There will be a need for large-scale financing of carbon emission mitigation as well as adaptation. Important sources of funding would be carbon taxes, financial transaction taxes or a more effective cap and trade system. These measures could be adopted country by country, regionally, or globally.

9 Financial markets need regulation so that it serves the people and planet

The growth of dangerous financial products and speculative flows must be reduced. All actors on financial markets should be subject to appropriate degrees of supervision. The G20 Roadmap on regulating shadow banking and ending of “too big to fail” should be developed further and proposed measures should be implemented as soon as possible. Shadow banking has to be controlled and regulated. All derivatives markets must be subject to strict supervision. Innovative financial products should go through a clearance procedure to ascertain they are consumer friendly and not harmful to the stability of the system. Basic human rights criteria similar to the UN Guiding Principles on Business and Human Rights need to be developed to regulate the financial sector. Building on the work of the Financial Stability Board designs for regulation should not only be discussed at G20 level but also brought to the global level of the United Nations.

Regulation of the financial markets must underpin the Sustainable Development Goals, as well as the forthcoming climate agreement to be adopted in Paris 2015. Market volatility and financial crises create pressure to exploit natural resources. Policy responses to financial crisis must take into consideration the impacts on the environment.

Resources for Continued Reading

Antonio A. Tujan Jr, international director of IBON International, co-founder of CPDE:

Scarcity Amidst Plenty: Financing for Sustainable Development

www.csopartnership.org/blogs/scarcity-amidst-plenty-sus-dev/

BOND for International Development:

Submission to the ICESDF Meeting 4-8 August 2014 www.bond.org.uk/

CONCORD (European NGO Confederation for Relief and Development: **11 Critical Outcomes That The ICESDF Report Must Include** (JUNE 2014) www.concordeurope.org/

EURODAD

www.eurodad.org/Entries/view/1546228/2014/06/26/Financing-for-Development-Eurodad-policy-forum-reflections/

Footnotes

¹ www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf

² www.un.org/esa/ffd/doha/documents/Doha_Declaration_FFD.pdf

³ www.un.org/ga/search/view_doc.asp?symbol=A/RES/63/303&Lang=E

⁴ **Stiglitz Final Report**

www.un.org/ga/econcrisissummit/docs/FinalReport_CoE.pdf

⁵ <http://sustainabledevelopment.un.org/content/documents/4588FINAL%20REPORT%20ICESDF.pdf>

⁶ <http://sustainabledevelopment.un.org/focussdgs.html>

⁷ **Antonio A. Tujan Jr:**

Scarcity Amidst Plenty

www.csopartnership.org/blogs/scarcity-amidst-plenty-sus-dev/

⁸ **Case study Tanzania**

www.kirkensnodhjelp.no/Documents/Kirkens%20N%c3%b8dhjelp/Publikasjoner/Ymse%20publikasjoner/ONE%20BILLION%20DOLLAR%20QUESTION.pdf

⁹ ACT Alliance member, Norwegian Church Aid produced a recent report based on the case of extractive industry in Malawi with a series of concrete recommendations.

<http://mininginmalawi.com/2013/07/06/malawis-mining-stakeholders-divided-over-new-report-on-lost-tax-revenue/>

¹⁰ www.g20.org/g20_priorities/g20_2014_agenda/fighting_corruption

¹¹ http://info.brot-fuer-die-welt.de/sites/default/files/blog-downloads/space_for_civil_society.pdf

¹² http://info.brot-fuer-die-welt.de/sites/default/files/blog-downloads/venro_financing-developmenten_i-gelb.pdf

¹³ www.oecd.org/dac/effectiveness/busanpartnership.htm

¹⁴ **Impact 2013: Impact Measurement and Performance Analysis of CSR-Executive Summary**

www.csr-impact.eu

¹⁵ <http://ecdpm.org/wp-content/uploads/2013/11/Blending-Loans-Grants-Blend-Not-Blend.pdf>

¹⁶ www.unctad.info/upload/Debt%20Portal/Principles%20drafts/SLB_Principles_English_Doha_22-04-2012.pdf

¹⁷ **UN Press on the debt workout resolution**

www.un.org/News/Press/docs//2014/ga11542.doc.htm

¹⁸ **ACT Alliance 2013: The Changing Development Paradigm**; page 1

¹⁹ www.oecd.org/dac/effectiveness/Busan%20partnership.pdf

²⁰ **UN Press on the debt workout resolution** www.un.org/News/Press/docs//2014/ga11542.doc.htm

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