

**Statement to the Financing for Development Review Session
on Chapter II of the Monterrey Consensus,
Mobilizing International Financial Resources for Development**

**Friday, February 15, 2008
UN, New York**

Delivered by Nadia Johnson, Women's Environment & Development Organization

Thank you respected Co-chairs,

I am delivering this statement on behalf of my organization and several other NGOs here today.

The Monterrey consensus highlighted that FDI and other private capital flows could make a positive contribution to financing for development, stating “we urge businesses to take into account not only the economic and financial but also the developmental, social, gender and environmental implications of their undertakings,” (para 23).

This has largely not happened and in fact, FDI has been partly responsible for the race to the bottom we see in tax concessions and labour, environmental, gender equality and social standards as countries scramble to attract investments.

There is significant evidence that FDI and private capital flows in not contributing to financing for development or indeed development. Private capital flows are for profit transfers, not gratuitous flows. This means that for the most part for every \$100 million invested - \$150 million (or more) would be taken out, perhaps over a period of a few years.

Even when money comes in and stays in country, tax competition plus an ever growing use of trade, transfer and financial mis-pricing for tax evasion/avoidance by multi-national corporations means that less and less of the money adds to domestic resources (tax revenues) which are critical for investments in health, education and development sectors.

The main potential benefits of private investment lie then not in the money it brings in but in its indirect spill-overs. FDI has the potential to generate development benefits by bringing in new technologies; managerial know how which can help upgrade local skills; better social, environmental, gender equality and labour standards; and by creating decent work, well paid jobs and through inter-linkages with the local economy.

For the most part, this has not happened, and there are still grossly limited and inadequate mechanisms for effective tracking, monitoring, evaluating and enforcement of standards related to private flows, including FDI, and governments are often weakening labor standards and environmental protection measures to attract FDI rather than enforcing these standards, which has led to a disproportionately negative impact on women's work burdens in both productive and unremunerated economies.

Towards this – we have the following recommendations for this process leading up to the Doha Conference:

- 1) As emphasised by the second panelist today, we need to look at the cost-benefit analysis of private capital flows in their entirety and recognize that the FDI and private capital flows have a positive development impact only under very special circumstances. Policy towards FDI should thus be strategic and selective.
- 2) This forum needs to urgently reverse the constant shrinkage of policy space for developing countries – in the area of the regulation of investments in particular.
- 3) We support the recommendation by the Secretary-General's report on CSW, where the theme this year is "Financing for gender equality and the empowerment of women": carry out gender-sensitive assessments of labour laws and standards, with particular attention to export processing zones, and establish policies and guidelines for the employment practices of foreign investors, including global corporations, building on existing agreed multilateral instruments, including the International Labour Organization conventions.

Thank you.