

Second Drafting Session on Third FfD Conference

Civil society interventions on Domestic and International Private Finance

Statement delivered by Ms. Maria Jose Romero, Policy and Advocacy Manager, Private Finance, Eurodad

Thank you Mr. Co-facilitator. My name is María José Romero and I am speaking on behalf of the European Network on Debt and Development (Eurodad), and as a part of a broad coalition of civil society organisations (CSOs).

To begin with, I would like to share a general comment: **we believe that the title of this section is wrong. It has to be changed** back to the original Monterrey structure, in order to separate foreign and domestic private sector. It is impossible to treat these two in the same way, as interests and needs are different.

I also would like to share some specific points. First, **the urgent need to regulate private investments is missing**. This is contrary to current thinking after the 2008 financial crisis caused by excessive belief in unregulated finance and the consensus now that private financial markets must be strongly regulated. **Paragraph 37 expresses a completely uncritical approach towards private finance**. We firmly believe that the private sector could have the potential to contribute to sustainable development, subject to the regulatory power of the State. We suggest that the whole paragraph should be changed. As a whole, document has to pay adequate attention to the conditions and policies needed to harness FDI for building domestic private sector and domestic productive capacity. **Paragraphs 38 and 48** should be substantially restructured to acknowledge the limitations of FDI to contribute to sustainable development and should call for a strong focus on quality of FDI. Second, on **the issue of using public money to leverage private finance, for instance through blended finance – paragraph 52 presents an uncritical approach to these practices**. Blended finance, could have potential to contribute in this area. However, blended finance entail many risks that should be considered properly. This has to be linked to **paragraph 39, which should be strengthened**. We call for a commitment to set up a process under the UN auspices to conduct a comprehensive review of the sustainable development impact of all public funds, either in the form of ODA or guarantees, which are

used to leverage private finance. This review should develop a set of sustainable development criteria to be applied to public funds and institutions used to leverage and support private sector investment, including the necessary mechanisms for compliance. Last, but not least, **I want to address para 47, in particular the issue of managing short-term cross** border capital flows. The paragraph includes a welcome recognition on the need to use capital account management tools. But for this regulation to be applied efficiently, there must be a review of the barriers to national policy space to enact regulations such as capital account management. Obstacles to capital account management and other regulation should be removed, including from trade and investment agreements.

Thank you very much.

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Statement delivered by Ms. Kristina Fröberg, Senior Advisor, Norwegian ForUM for Development and Environment

Thank you Mr. Co-facilitator. My name is Kristina Fröberg, and I am speaking on behalf of the Norwegian Forum for Development and Environment, and as part of a broad global coalition of CSOs working on FfD. I will propose urgent **additions in paragraphs 40 and 53 of the zero draft.**

You have asked us to address gaps in the SDGs that could hamper their success. One of the biggest loopholes in the SDGs is that they do not address how one of the stakeholders with most influence on development – business – should be held to account, to ensure that they act in a sustainable way and respect human rights.

Therefore, it is **essential that FfD takes on the role of ensuring a regulatory framework** that sets all companies on a path to sustainable development and respect for human rights, and does not let the work of some undermine the work of others.

Since Doha, the business and human rights agenda has significantly advanced with the unanimous adoption of the UN Guiding Principles on Business and Human Rights (UNGPs) by the Human Rights Council. They outline three crucial elements for corporate accountability:

1. The state duty to protect against human rights abuses by business, through appropriate policies and regulation
2. The corporate responsibility to respect human rights, and how to act with due diligence to avoid harming the rights of others
3. Access by victims to effective remedies

The zero draft fails to refer to this single most important and widely-recognized framework in the field of business and human rights. We firmly believe that paragraph 40 needs to be strengthened by including a commitment to effective implementation of the UN guiding principles on business and human rights, and to set up effective mechanisms for resolving disputes between corporations and communities or individuals, and compensate parties that have been negatively affected by corporate activities. Since mandatory Environmental,

Social and Governance reporting is also crucial for corporate accountability, we would like to **commend that paragraph 40 already includes an agreement to create strong regulatory frameworks on ESG practices**, including mandatory integrated reporting for large companies, to be adopted by 20xx, as well as protecting labour rights and environmental and health standards in accordance with internationally agreed norms, including the labour standards of the ILO and key Multilateral Environmental Agreements. We urge states to support this.

We would like to add though, that to ensure that the information which is most relevant for sustainable development is covered, and to create a level playing field for companies, the reporting must be standardized through UN processes. It is also important that integrated reporting, which includes financial reporting, is done on a country-by-country basis. This relates back to the state duty to protect against human rights abuses by business, through appropriate policies and regulation. Therefore, the words standardized and country by country should be included in the sentence. The time limit for adoption should be set to 2018.

The proposed additions in paragraph 40 will provide business with the potential to contribute to all three dimensions of sustainable development, and hold them accountable for their actions.

When public funds go to the private sector we have to ask for more than this, and not only ensure that business don't undermine sustainable development, but also that they have a clear positive development effect.

Thank you Mr. Co-facilitator

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Statement delivered by Ms. Hilary Jeune, EU Policy Advisor, Oxfam International

Thank you Mr Co-facilitator. I am Hilary Jeune, I speak on behalf of Oxfam International and a broad global coalition of CSOs working on FFD.

First, I want to address the gender equality considerations included in this section.

Concerning paragraph 42: there is a contradicting tendency towards the instrumentalisation and commodification of women to improve profitability and competitiveness of business (para 42), or to promote market access for financial services (para 41, 42, 43). This instrumentalization is a dangerous departure from recognizing the inherent entitlements of women as full and equal citizens and subjects of human rights, such assertions should be deleted. Therefore, the whole paragraph should be changed. Specifically, stronger language is required beyond ‘encouraging’ the private sector. This expression should be changed in order to enforce the private sector to comply with women’s human rights obligation and ILO labour standards, including work-life balance initiatives, equal pay for equal work or work of equal value, and prevent discrimination against women in the workplace.

Concerning paragraphs 52 in relation to public private partnerships: **Where is the evidence to justify support for the multiple references for PPPs in the zero draft?** A rapidly growing body of evidence, including from the World Bank Independent Evaluation Group, shows that PPPs have major problems, such as being an expensive method of financing, which increases the cost to the public purse; lack of transparency and accountability, mis-aligned incentives for those who carry out impact assessments, and tend to be very high-risk financing.

Therefore, we suggest that PPPs should only be considered if other less expensive and risky financing options are not available. When designing projects, the development needs of people should be explicitly assessed, and equity concerns addressed in terms of equitable and affordable access to infrastructure and services. When implementing PPP projects, key elements that should be considered include: thorough cost-benefit analysis; full transparency throughout the whole process; careful design and implementation;

engagement of local stakeholders; strengthened oversight and regulation, including transparent accounting and strong monitoring and evaluation.

On the same paragraph (52), **we welcome the language that states that PPPs should not replace or compromise state responsibility**, but we recommend adding a special reference to critical sector such as education and health. There is a real danger of an increasing trend of governments abdicating their human rights responsibilities to provide health and education by relying on the private sector. We firmly support the following statement “PPPs should not impose unsustainable debt burdens or contingent liabilities on governments.” This also has to consider that PPPs should not offer private sector companies a degree of security higher than that available in private sector projects.

Thank you very much.