Civil Society Comments to the IATF Draft Report – Advanced Draft (Apr 11)

This document has been collectively developed by the Civil Society Financing for Development (FfD) Group, 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 CSO 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. Some of the sections are still incomplete and will be integrated later.

Overarching comments

- The Civil Society FfD Group appreciates the opportunity to provide feedback on the draft IATF Report. However, there is a need to ensure systematic engagement of civil society in IATF process, including consistent participation and contribution to the thematic consultations, in a manner that respects the way in which civil society has organized itself to follow the FfD process. Furthermore, future IATF Reports should feature an earlier and more extensive time window for comments on the Zero Draft if the review and consultation process is to offer meaningful opportunities to provide feedback and suggestions;
- The approach of the Draft Report is questionable, because it mainly maps what has happened since Addis, but it does not map what did not happen for the FfD commitments of Monterrey/Doha/Addis to be achieved. It therefore highlights progress but remains silent on the lack of progress. While we understand the political correctness of such a choice, this remains a significant limitation. The report also somehow sixed report on progress (or lack of it) and possible future normative or operational developments;
- The note by the Secretary General on the IATF report talks in the introduction about 'individual actions and cooperation' – more focus could be placed on the cooperation and joint action elements and individual responsibility to meet commitments (i.e. most donors still failing to take any real steps to address. We welcome the provision of data and analysis on all Addis commitments in the annex, though this is not yet available in the Zero Draft. Future Zero Drafts would need to provide an opportunity to review this annex as well;
- There is a strong narrative on protection, equality and diversity, etc. – reiterating the centrality and importance of commitments made on the social compact about social protection floors. However, the growth narrative remains the pivotal feature without sufficient clarification of the kind of growth needed to support sustainable development or of the many other changes that could do more to deliver real transformation. The report's key messages as well as the report itself are stronger on recognising that growth in and of itself is insufficient to address development but it is not equally reflected in the summary;
- We welcome the recognition in some of the sections that public investment is needed – not least in areas that will not attract private investment – but the focus remains too strongly on private ones, as opposed to outlining the specific benefits and strengths of public investment and spending in some areas. Each form of financing has specific strength and weaknesses to finance

certain developments. In the area of social services and protection public finance (domestic or international) should be the dominant form of finance used;

- Equally, there is an over-emphasis on the catalytic role of public finance (i.e. mezzanine financing, crowding in, de-risking, etc.). This is not the only way to use limited amounts of public finance and there remains insufficient recognition of the risks inherent in such financing. Development policy makers should take an informed choice on where to direct public finance, and ensure ODA is used for those areas where it has the strongest additional impact for development. When public money is used to leverage private finance, stronger safeguards need to be built in, and both forms of financing need to comply with human rights standards and development effectiveness principles. While the AAAA provides such commitments for PPPs (paragraph 48), the FFD forum could usefully extend these guidelines for further forms of private financing for development.

Comments on the Global Economic Situation

- The report rightly points out to the need to change the growth dynamics. However, there seems to be an overemphasis on quantitative rather than qualitative dimensions of growth, despite the past evidence that high growth rates have not translated into significant development progress for either people or the planet. Rather they have often exacerbated horizontal, vertical, spatial and intergenerational inequalities. The report should spell this out more clearly and identify the qualitative characteristics that are required in terms of inclusion, equity and sustainability.

Comments on Financing Investment

- This section is new and relates to the low-growth, and low-investment scenario identified in the first chapter. It suggests that investments in the productive sector, as well as sustainable infrastructure, health, education, and other areas require private sector investment without looking at public sector sources of investment that may be more appropriate in social sectors. It is also assumed that increasing the time horizons of investors is a precondition for ensuring investments in sustainable infrastructure, whereas arguably regulatory issues and incentives also matter;
- On “long-term quality investment for infrastructure” and “private investment in infrastructure” (pages 16-20 and also page 65): While the draft acknowledges that historically there has been a higher predominance of public finance when it comes to infrastructure, it also implies that “going forward” the balance between public and private finance can change if governments grant guarantees or other incentives. However, it fails to underscore the potential negative impacts of these policy decisions for the public sector, for citizens in general and for vulnerable groups. For instance, the public sector might end up assuming a high degree of risks (to de-risk private investors), compromising the right to regulate in the future, or assuming additional financial commitments to grant subsidies that overcome the negative impacts of user fees charged to create cash-flows. From a human rights and equity perspective, private finance can be highly controversial in key sectors that are in need of financing, such as water, sanitation, electricity, among others. Therefore, there is a need to recall both the potential benefits of increasing public investment in infrastructure and of improving the (efficiency of) public provision of infrastructure. See, for example, IMF World Economic Outlook, October 2014; Chapter 3;

- On “public investment for sustainable development – the role of development banks” (pages 20-22): the draft states that there is an important role for public investment, but this is mainly considered via MDBs, and little consideration is given to direct government operations (e.g. budget expenditure, municipal or governmental bonds). When discussing the potential of MDB system, the draft mentions – among other things – “an expansion of their capital base,” but there is no explicit mention of climate risk assessment or concrete measures to align “practices and policies with sustainable development.” In addition, while the draft rightly point to the main channels through which development banks can help finance infrastructure, it fails to acknowledge the challenges that most development banks face when it comes to delivering sustainable development outcomes and to implementing the highest responsible financing standards (social, environmental, human rights and also tax and transparency requirements of the companies that they invest in or partner with). Even the most successful institutions at all levels face criticism in this regard. In addition, while the draft report mentions the critical role played by national development banks (NDBs), it fails to develop an argument in favour of strengthening and improving NDBs (beyond improving its mandate). A strong case can be made for seeing national PDBs as the primary tools to implement development plans. Therefore, regional and multilateral development banks could contribute by supporting these national institutions where they exist, or helping to build them if not. The IATF could provide policy options in this regard;
- On “public-private partnerships and blended finance” (pages 22-25): PPPs and blended finance are presented as key instruments. However, the report draft rightly points to the fact that these are “fairly controversial in debates on implementation of the SDGs.” The experience shows that PPPs, in particular, can be expensive, risky and problematic tools when it comes to delivering social services. Therefore, the report should be more explicit about these problems and the IATF should take an additional step forward by suggesting necessary policy options. The following points should be reviewed:
    - The reference to PPPs as a tool “to provide greater “value-for-money” than the alternative of public procurement:” assessing “value-for-money” from the public perspective can be a very complex and controversial exercise, which all too often is biased towards the PPP option, and used for rationalising a decision already taken at the political level;
    - The reference to PPPs in social sectors: according to the draft, “PPPs may be (…) more difficult to structure in sectors without clear positive financial returns (such as social sectors).” Given the evidence to date, it is not a matter of difficulty, it is about PPPs not being the right tool for delivering public services – that entail a human right – such as health and education;
    - The reference to accountability and transparency in PPPs: the draft states that “Those PPPs involving publicly owned development finance institutions could, for example, publish relevant contracts and establish mechanisms for greater stakeholder input and public feedback.” However, it is clear that more transparency and accountability is needed not only in projects involving DFIs. In this regard, the IATF misses an important opportunity to provide a policy option for developing the framework for disclosure mentioned on page 24;
- We welcome that “Task Force members believe that Governments should account for PPPs on balance sheet, to avoid non-transparent contingent liabilities and the misuse of PPPs as a tool to get around fiscal controls.” However, different practices and standards apply when it comes to accounting for and reporting on PPPs. The IATF misses the opportunity to tackle this issue effectively by suggesting policy options going forward. PFRAM is a useful and welcomed tool, but at the moment it works only at the project level (PPP contracts) and more has to be done at the

pipeline level, and even more crucially in terms of guidelines for effective and responsible accounting for and reporting on PPPs. The latter is in line with the spirit of Para 48 of the AAAA and should be addressed by the IATF;

- On "investment promotion for LDCs" (pages 25-28): the reference to blended finance and other mechanisms to incentivise private investments in developing countries/LDCs, should include a word of caution in relation to the conditions under which it is ensured that development objectives are delivered and transparency and accountability requirements are met. The European Parliament is currently discussing the regulation for the External Investment plan mentioned and it is clear that positive development outcomes should not be taken for granted.
- The report falls short to address key issues related to persons with disabilities. On page 15, in addition to the investment in gender equality and women's empowerment it is also important to add investment for the empowerment of persons with disabilities. When persons with disabilities and their families cannot access essential public services and support mechanisms that open up economic opportunities; when they cannot take part in income-generating activities or when they are prevented from making wider contributions to the lives of their families and communities, there are far-reaching economic, as well as, social consequences. In the Addis Agenda, Governments committed to "promote incentives along the investment chain that are aligned with long-term performance and sustainability indicators." On page 20, it is therefore essential to render explicit that the importance of ensuring that infrastructure meets the commitments in paragraph 14 of AAAA, including on infrastructure accessibility and resilience. Also on page 20, among the several factors identified by the Task Force to shape incentives, public procurement frameworks are not list, while being of critical importance. On page 24, as infrastructure projects often profoundly impact local communities, participation of stakeholders must be clearly qualified as having to be ***inclusive and accessible***. It would also be appropriate to add a Box (see below) on either page 33 or where it best fits:

Box 3: Persons with Disabilities: Leave No One Behind in Financing for Development

The SDGs' commitment to leave no one behind has implications for development financing, as recognized in the first paragraph of the Addis Ababa Action Agenda. The world's one billion persons with disabilities were historically left behind by development, and their situation offers a lens for examining the inclusivity of the financing for development agenda more broadly. The Addis Ababa Action Agenda contains six explicit references to persons with disabilities and disability, one to "inclusive education", one to "inclusive learning environment" and two to "accessible" technologies and infrastructures.

But available evidence suggests that, significant barriers to disability-inclusive financing remain:

- The World Report on Disability cites data from 51 countries showing that employment rates for women with disabilities are 19.6%, compared with 29.9% for women without disabilities; and 52.8% for men with disabilities, compared with 64.9% for men without disabilities.[1]
- Research by the International Disability Alliance indicates that budget allocation for persons with disabilities in some low and middle income countries can range from zero to 0.5% of GDP.[2]

[1] World Bank / World Health Organisation, *World Report on Disability,* 2011, p.237
[2] International Disability Alliance, public resource mobilisation for implementation of the CRPD, working paper, quoted in Cote, Meeks and Tardi, *Leave No-One Behind in Financing for Development,* CIVICUS, April 2015 –

- The International Labour Organisation recently reported that, of 183 countries reviewed, less than half had a non-contributory cash benefit scheme for persons with disabilities.[3]
- A recent analysis of some 2,500 World Bank projects found that just 2% were inclusive of persons with disabilities.[4]
- What is more, in some countries, austerity regimes have led to a **reduction** in domestic resource allocations for public services and social protection, and this has affected persons with disabilities and other marginalised groups disproportionately.[5]

These data indicate the need for dedicated actions to ensure that the implementation of the financing for development agenda leaves no one behind, including:

- A progressive **increase in dedicated domestic resource allocation and international development cooperation to support the full inclusion of persons with disabilities and their families** in sustainable development.
- Binding accountability mechanisms to ensure that **private investments** and infrastructure projects adhere to **human rights standards, including the rights to accessibility and work enshrined in the UN Convention on the Rights of Persons with Disabilities**.
- **Transparent and accessible reporting** of domestic and international resource allocations for the realisation of disability rights, including through the introduction of a disability policy marker on the OECD DAC Creditor Reporting System, and full participation of persons with disabilities and their families in resource allocation processes.

Comments on Addressing Vulnerabilities and Social Protection

- Overall, there is significant disconnect between the investment section and the social protection one. While it remains understood that it is necessary to it is not easy to bridge these two distant domains, particularly in the short term, the report should highlight the need to "invest in social protection" modalities that, in addition to providing floors, include opportunities for real transformational strategies for people's lives. Otherwise, the report seems to suggest that social protection is some sort of social bribery that keeps the poor and marginalized afloat while the investment agenda continues not impact their lives;

- Measures to directly address poverty and inequality are also seen as necessary by the IATF, particularly the role of social protection is considered as important in light of the vulnerability of the those living in poverty to economic downturns, natural disasters and humanitarian crises – understood as the 'social compact' to include social protection floors;

- Social protection in itself is not systematically linked to inclusive and equitable growth, for instance, as the IMF has done in its studies concerning the link between inequality and growth, but seen as adjusting the role of those living in poverty in relation to the impact of economic transformation. The logic is therefore not inclusive and equitable enough;

- Where the link between growth and equality is made in the case of women's economic participation which is seen as vital in achieving sustained and inclusive economic growth, the

[3] International Labour Organisation, 2014 World Social Protection Report: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_245201.pdf
[4] Jacob Sims et al, Tracking Investment in Disability Inclusive Development, AidData, 2015
[5]http://www.ohchr.org/EN/Issues/Development/Pages/PromotingHRbasedfinancialregulationmacroeconomicpolicies.aspx

emphasis should in addition recognise women's rights as inalienable and important on their own rather than instrumentalising women's contribution for economic growth;

- The draft IATF Report notes that it is critical that their policies and actions are not just gender-sensitive, but actively seek to advance the goal of gender equality and women's empowerment. The paper, however, proposes no clear measures to achieve gender equality in a proactive manner – for instance tackling unpaid care work through maternity pay, childcare, and addressing the gender pay gap in other ways through public policies and expenditure;
- On page 28 as well as everywhere else in the document, the Report should use "persons with disabilities" (rather than persons with disability), keeping in line with language from the UN Convention on the Rights of Persons with Disabilities. On page 28-29, when addressing social protection floors it is essential to stress that, with 183 countries reviewed, less than half had a non-contributory cash benefit scheme for persons with disabilities.

Comments and Recommendations on Domestic Resource Mobilisation

- The section assumes that first and foremost, tax revenue is generated by economic growth, which ignores the extent to which the capacity of developing countries to generate revenue is impeded by lack of international tax co-operation, illicit financial flows and tax competition;
- The revenue collection figures by the IMF World Revenue Longitudinal Database shows that tax per GDP ratios have risen, but this data firstly conflates tax and non-tax revenue from extractive industries, and secondly does not allow analysing whether the increase in tax collection is progressive and fair in each country among social groups, income groups, regions and sectors;
- The estimate concerning a minimum tax per GDP ratio is linked only to basic state functions that the IMF has analysed requires tax per GDP ratio of 15 per cent of GDP. However, SDGs go well beyond basic state functions, and are likely to require far more revenue. Setting regional revenue targets without measuring the impact of additional revenue collection on the poorest and marginalised, as well as gender equality, risks undermining the ultimate objectives of the AAAA and SDGs;
- Fair and progressive taxation is only introduced later in the report, with a breakdown of tax collection in country groups. While different taxes are listed, their impact on inequality, including gender inequality, is not addressed in the report. Furthermore, when recommending better disaggregation of budget data, there is no reference to disaggregation by disability and age, both critical dimensions to be considered;
- The report still promotes value-added taxes or reducing exemptions as easy ways of mobilising revenue, while recognising that they can be regressive in terms of taxing lower-income consumers proportionally more. Distributional equity is not a substitute for revenue raising equity, as tacking inequality effectively requires tackling both pre-tax (through fair and progressive taxes), and post-tax inequality (often via provision of public services);
- The report briefly discusses property taxation, but lacks a more comprehensive discussion on other types of taxes on wealth and capital income that could be explored and facilitated.

<u>International tax co-operation and Illicit Financial Flows</u>

- We welcome that the IATF report notes that the United Nations Committee is an important institution for the development of international tax norms, with a special emphasis on guidance by and for developing countries. However, rather than side-lining the UN with the OECD, the IATF report should recognise the unique nature of the UN, due to its universal membership, and equal footing of developed and developing countries in decision-making processes. Furthermore, the IATF report should highlight that a truly legitimate and transparent norm-setting process would require the establishment of an intergovernmental tax body under the UN;
- We also welcome the recognition of the fact that the ability of countries to mobilize revenue is impeded when countries' resources are simultaneously drained as a result of illicit financial flows. However, measuring, tracking and stopping IFFs are lacking in the report, in part because of a lack of an intergovernmental agreement on the conceptual framework defining IFFs. There should be a strong definition that includes all the aspects mentioned in the report, including corruption-related, tax-related (including both tax evasion and tax avoidance) and crime-related IFFs;
- The Task Force recommends component-by-component and channel-by-channel analysis and estimation, allowing further methodological work and proposals for relevant policy tools and options. However, the agency nominated to follow-up and lead on the IFF definition, namely UNODC does not have the institutional mandate or capacity to look at the tax-related IFFs, and thus it should work in tandem with the UN Tax Committee to achieve this wider mandate;
- The text highlights that the OECD has established "*forums open for interested countries to participate"* in its processes, but doesn't point out the crucial fact that these forums are only established <u>after</u> the key decisions have been made, and that the key focus of the forums is to ensure implementation and compliance with these pre-agreed standards. For example, in the case of the OECD's Inclusive Framework, membership requires countries to commit to implementing the decisions on Base Erosion and Profit Shifting (nearly 2000 pages of decisions), which were adopted by the G20 and OECD while more than 100 developing countries were excluded from the negotiations. This should be highlighted in the text. It is also misleading to say that the forums are open to (all) "*interested"* countries. In addition to requiring members to sign up to the pre-agreed standards, the forums also require members to pay substantial membership fees to the OECD, and therefore participation in the forums clearly requires more than just "*interest"*. This should be clarified in the text;
- One important reason why the standards are "*particularly difficult for developing countries"* to implement, is that more than 100 developing countries were excluded from the negotiation of the new standards, and have therefore not been able to ensure that the standards fit their needs and interests. This should be highlighted in the text.

<u>Estimates of volume of international tax avoidance and evasion</u>

- We find that the revenue loss estimates due to corporate tax spillovers by the IMF should be higher. The 2015 paper presents a range of $100 to $300 bn, thus quoting $200 bn as the IMF estimate would be more accurate. The paper should also cite additional civil society estimates by the Tax Justice Network using the same method, have found an even higher estimate of $500 bn.

Tax information availability

- The report concludes that progress has been achieved on this front on information availability. However, the report fails to take account of the fact that the increased access to information is a tendency which has primarily occurred in developed countries. For reasons outlined below, developing countries still have great difficulties accessing the information needed to combat illicit financial flows, including tax evasion, avoidance, corruption, etc. Therefore, from the perspective of mobilizing financing for development, progress have been very limited, and the problems identified in the AAAA are still highly relevant today. This should be recognized in the report;
- Automatic exchange of information to ensure that information which is currently not public, but remains vital for ensuring that developing countries can combat illicit financial flows, including beneficial ownership and country by country reporting, should be made available to developing countries without requirements about reciprocity. Due to different levels of capacity and digitalisation, reciprocity requirements lead to de facto exclusion of the poorest developing countries. Multilateral agreements are the best solution to ensure that developing countries can benefit from standardization and simplicity. The treaty that governs multilateral tax information exchange should be stated as "OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters" as the report currently has the wrong name. Information exchange based on requests or on so-called "spontaneous information exchange" is still also supported by the OECD as alternative to automatic exchange, and these are often the options that developing countries are left with when they are not able to achieve automatic information exchange. However, these mechanisms are inadequate and ineffective, and place developing countries in a less likely situation to receive vital information on corporate and individual tax payers. The information obtained through information exchange should be allowed to be used for non-tax purposes, for instance, to fight corruption, money laundering and other aspects of illicit financial flows. Aggregates of data should be published so that a public debate on effectiveness of information exchange can be had in an informed way.

Exchange of financial account information

- This chapter leaves out two important points, which should be added to the text: (1) The global standard is administratively very demanding to implement, in particular for least developed countries. Recommendations to develop less demanding requirements for developing countries, including the option to be able to receive information on a non-reciprocal basis, was rejected by the OECD and G20 members; (2) Signing up to the global standard does not commit signatories to exchange information automatically with all other signatories – this depends on subsequent bilateral agreements. Analysis of the implantation shows that in particular developing countries are not likely to receive much information, because many developed countries have chosen to exchange information with each other, but not with developing countries.

Exchange of corporate information: country-by-country reporting

- The problems highlighted above (under "Exchange of financial account information") also apply to exchange of corporate information. This should be added to the text;
- Country by country reporting concept has been discussed by civil society, academia, and governments since the early 2000s and already prior to the OECD BEPS process, public country by

country reporting was introduced partially in different European legislation, as well as transfer pricing information legislation in some developing countries. While BEPS provided a harmonization of CBCR information, the key weakness is that it is not public, thus not permitting a wider scrutiny of corporate tax matters.

Exchange on Beneficial Ownership Information

- On public Beneficial Ownership registries, the recommendation by the OECD is inadequate as it doesn't give preference to public registries, but instead accepts all types of registries. Some countries, particularly in Europe, have gone beyond the basic international standard and pioneered the development of centralized, public beneficial ownership registries on some types of entities, and the IATF Report should encourage other countries to also embark on high quality public beneficial ownership registries in an open-data format.

Information on the extractive industries

- Extractive industries have been highlighted for years as a special area of interest in terms of transparency, and indeed initiatives here have focused both on public CBCR information, public Beneficial Ownership registries and information on payments to governments that are matched with the revenues governments report in the EITI process. These instruments need to be enhanced to also include public project-by-project reporting, and public payments to governments as the sector is of higher risk than many other sectors.

Capacity building

- Capacity building in the area of tax systems should be relevant and demand-led, rather than donor led and supply-led with strings attached to compliance with specific guidelines that may not even be relevant to the country due to lack of OECD membership, or lack of appropriate approach. Regional and UN-led tax organisations such as ones led by UN ESCAP, UN ECLAC and UN ECA should be seen as a way forwards in enhancing greater regional co-operation in tax matters. Capacity building should include increasing the capacity of parliamentarians, the judiciary, civil society and the media as well as tax administrations, to empower a wider set of stakeholders to ensure tax fairness and effectiveness;
- According to the text, *"The Tax Inspectors Without Borders initiative (…) estimates that its programmes have increased tax collection by more than $260 million"*: It is important to note that the official numbers which have been released by the secretariat of Tax Inspectors Without Borders include double-counting of taxes which have also been counted as taxes collected under other programmes, and that some of the taxes included in the estimated achievements of Tax Inspectors Without Borders were collected before the programme was launched. An analysis of some of the numbers can be found in the report For Whose Benefit (Eurodad 2016). If the IATF report wants to include the estimated achievements of Tax Inspectors Without Borders, it is important to provide a breakdown of these numbers, to make it transparent what is included in the total number, as well as to ensure that the number doesn't include double-counting or includes achievements that pre-date the launch of the programme. Furthermore, it is important to note that concerns about conflicts of interest and lack of developing country leadership have been raised in relation to Tax Inspectors Without Borders, including in the report For Whose Benefit by Eurodad.

Estimates of IFF volumes

- The text states that "*In general, only illegal components are considered to be illicit flows*". This is factually incorrect, and this is actually the core of the disagreement. Many argue that "illicit" doesn't only mean "illegal" (if it was the same thing, it would probably have been named "illegal financial flows", not "illicit financial flows"). Therefore this sentence should be deleted;
- The IATF report should recognise in this respect the leadership of civil society actors as a key stakeholder in defining, tracking and stopping illicit financial flows – as this debate has actually emerged as a result of years of data gathering and case-study collection by civil society to inform the international policy debates. The report should recognise the contribution to this work. It would also be appropriate to cite civil society resources as the role they play has been vital in elevating the issue as a key policy concern;
- A unified definition of IFFs is lacking in the official sphere, but there are definitions by the UNECA and other UN regional agencies, as well as civil society, that reflect developing country priorities, whereas definitions that are limited to drugs and international organised crime may reflect more developed country priorities. The definition should not stop at what is considered as illegal. It should consider abusive behaviours that have an illicit nature due to circumvention of the spirit of the law. This way a much larger scope of flows related to tax issues and trade mispricing would be included in the scope;
- The flow chart proposed in the IATF report on IFFs is welcome with respect to including the three key areas of IFFs (corruption-related, tax-related, illicit economies-related), but in terms of the transfer mechanism the chart is much less clear as it does not identify the key nature of these transfer via secrecy, opacity and professional enablers of illicit financial flows especially (but not exclusively) in tax havens;
- The role of UN regional commissions in estimating IFFs has been vital in advancing the debate, and more work needs to be done in working together with civil society, academia and UN regional agencies to advance measures of IFFs to feed into the monitoring of IFFs commitment in the AAAA.

Gender-responsive budgeting

- We welcome the commitment to gender-responsive budgeting and the work UN Women are doing in terms of country strategies in this area, but this analysis tends to be uniquely on the expenditure side that ignores macro-economic and systemic issues such as illicit financial flows as major impediments to gender equality as was demonstrated by the Panama Papers scandal where most beneficiaries of secretive shell companies were men, and the revenue losses meant that less public funding was available for financing women's rights to health and education. The work of international organisations in this area should go beyond budget allocation, and also include an assessment of the impact of revenue raising methods, as well as an estimate of the tax gap to finance women's rights.

Comments on Domestic and international private business and finance

- In the Addis Agenda, countries resolve to continue this work, while also aiming to better align business activities and investment decisions with the UN Guiding Principles (UNGPs) on Business and Human Rights and sustainable development principles. However, the IATF report fails to mention the work by UN Human Rights Council special rapporteurs in analysing the human rights impact assessment of corporate activities on the realisation of human rights, and indeed the process towards mandatory disclosure of financial and non-financial reporting to support greater information on the impact of corporate activities. The IATF report instead mentions voluntary initiatives such as the Global Compact, the Sustainable Stock Exchange Initiative, Principles for Responsible Investing, and the UNEP Inquiry which seek to incentivise businesses through voluntary measures to include sustainability in their business model, without committing to binding disclosure and due diligence processes, or indeed methods of remedying any negative impacts. The Task Force should also specifically recommend that accountability processes be implemented to ensure private sector activities meet the SDGs' commitment to leave no one behind, for example by ensuring equal access to employment for persons with disabilities, in line with AAAA paragraph 16;

- Where policy instruments include a public concession, subsidy or benefit (including regulatory benefits) in incentivise investment, there should be a reciprocal demand from the private sector to be accountable to both the public sector and wider society in return for receiving a public benefit. This applies to most policy instruments outlined in incentivising private investment including, "taxes and subsidies to change relative prices, regulations and standards to guide investment behaviour, and appropriately-designed risk-sharing instruments, including co-investments, public-private partnerships, and guarantees, depending on country priorities";
- The measures for a Business Enabling Environment (BEE) cannot include low-taxes, low labour standards or other measures that harm the realisation of both human rights and sustainable development goals. For instance, the World Bank's Doing Business indicator is not a suitable measure of a business enabling environment due to including low taxes and low wages. Additionally, a Business Enabling Environment should not be 'size-blind' where the same rules and norms apply to all businesses entities, as SMEs, co-operatives, social enterprises micro-enterprises and especially enterprises owned by women require different types of business enabling environments including legislation, regulation and support;
- The IATF report should take care in terms of interpreting FDI statistics, for instance, a recent UNCTAD World Investment Report in 2015 concluded that SPEs are a far larger phenomenon than offshore financial centres, as companies can be managed by so-called trust and corporate service providers. The Financial Action Task Force (FATF) in 2010 defines such providers as "all those persons and entities that, on a professional basis, participate in the creation, administration and management of trusts and corporate vehicles";
- The industry-led Task Force on Climate-related Financial Disclosures (TCFD) developed recommendations for consistent, climate-related financial risk disclosures for use by companies in providing information to investors, lenders, governments, and other stakeholders. The findings should be part of assessing the quality of private investment in order to reduce impact of climate change on vulnerable populations and countries. Governments should seek to make such disclosures mandatory to have a better understanding of climate risk;
- The scale of assets under management do not provide adequate data on the quality of private financing, as indeed private investments have caused severe human rights violations to local communities in developing countries;

- There are no inter-governmental Environmental Social and Governance (ESG) indicators – some countries including Brazil, Bangladesh and United Kingdom and the European Union where some mandatory ESG reporting standards have been developed in certain areas as most industry measures tend to be voluntary guidelines that are not standardised, comprehensive or adequately implemented in order to provide a comprehensive perspective on the impact of private finance on human rights and sustainable development. Furthermore, further benchmarks should also be identified, including persons with disabilities.

Comments on International Development Cooperation

- The report highlights the need for and pressure on international public finance in 2015 and 2016, not least in addressing crises both natural and manmade, in difficult economic circumstances. It also notes that ODA increased between 2014 and 2015 (6.6% to US$131.4 billion) but does not sufficiently disaggregate what this increase represents – while ODA went up, this was largely due to increased spending on in-donor costs (spending in the donor country that never reaches developing partner countries), particularly on refugee costs in developed countries:
    - Excluding in donor refugee costs, ODA has basically flat lined in real terms since 2010;
    - ODA to MICs has fallen from approximately 60% of global ODA around 2000 to around 50% currently with a concurrent increase of less concessional finance – the report notes the varied and diverse situations and needs of MICs with many struggling to access finance (concessional or non-concessional). Several actors have noted and are looking at ways to address this including reassessing graduation policies or specific instruments to target more vulnerable MICs such as small island states;
- As the report notes, this is also a long way from the targets that developed countries promised to meet over half a century ago – more action is urgently needed to scale up ODA to meet the 0.7% commitment:
    - Only 6 countries have met the target and ODA from 28 DAC members averaged 0.30% of GNI – the same level as 2014 and far of the 0.7% target;
    - Reversing the trend of ODA to LDCs – some progress which is welcome but donors must ensure future spending meets commitments to deliver on this action. Only 7 countries met the target in 2015 down from 8 in 2014 – of which only 5 exceeded the 0.2% upper target;
    - Financing for other vulnerable countries, including for example small island states, remains challenging;
- ODA commitments: We welcome the note that ODA providers should work to fulfil the commitments they have made – they should do this by setting out milestones that clarify when and how they will increase their ODA contributions steadily over time:
    - 0.7% – Providers need to transparently outline how they are going to meet these targets and their commitments. The report could usefully highlight which donors are performing very well and have increased their efforts, and which providers lag behind and lack action. The main body of the report does note that this is largely due to increased humanitarian aid and in donor refugee costs which should be reflected in the summary as it is important context;

    - LDCs – Donors should also continuously increase ODA to LDCs to meet the UN targets of 0.15-0.2% / GNI and in the long run ensure half of their total ODA is dedicated to LDCs. A call to ensure that forward spending plans in LDCs become a reality is needed – a further step could be to call for clear commitment from providers to do this and to assess the quality of this ODA. Noting the gap to meeting the agreed target of 0.15% of GNI from the current level of 0.09% would help to emphasise the need for urgent action and the scale of the challenge remaining;

- Lending by multilateral development banks: As MDBs broaden their lending portfolio to more vulnerable and fragile regions, it is key to develop additional safeguards to protect countries from facing a debt crisis, and to take more cautious choices especially in the areas of lending for social services (Global Financing Facility for Women and Children's Health; potential development bank for education);

- The interlinkages to other sections and issues could be more clearly drawn out. For example, the report notes a need for more concessional financing as a response to expanded lending but does not draw the connection to debt sustainability;

- It is a welcome recommendation to ensure better coherence between humanitarian and development finance, and to keep development finance separate from humanitarian aid and in-donor costs such as refugee costs. Current data show alarming trends for ODA – in some cases, due to strongly increased spending on in-donor refugee costs, donors became the biggest recipients of their own aid budgets;

- The IATF report rightly notes the struggle of many MICs to assess affordable financing, and the challenge they often face due to the shift to non-concessional lending. MICs accommodate a great number of the world's poorest people, and in keeping with the Leave No One Behind principle of the Agenda 2030, it is key to ensure countries have affordable and concessional finance available to continue strengthening their social sectors and development;

- The effectiveness section could more clearly draw out that there has also been lacklustre progress or regression in some areas of development effectiveness – recognising success is important politically and practically but understanding and acknowledging challenges is equally important including to driving further progress:

    - The reference to 'areas with significant potential to increase coherence' is not sufficiently strong and needs to be clearer in outlining those areas where the international community is failing to make progress and why;

    - The IATF report should refer to the most recent deliberations of the Global Partnership for Effective Development Cooperation (Second HLM, Nairobi Dec 2016), which call on those countries which endorsed the Paris and Accra agreements to develop time bound action plans to fulfil their unfished business;

    - The Report should also highlight trends that may undermine the ownership of development processes by Partner Countries such as in the case of migration/development nexus implemented by key donors such as the EU, which may bring about new negative and positive conditionalities which undermine the political space of Partners. Similarly, engaging with security actors may be in contrast with the effectiveness principles, including a focus on development results;

- The humanitarian finance section would also be strengthened by including calls to improve the transparency and effectiveness of humanitarian aid in line with WHS 2016 commitments;
- The recommendation on implementing well-defined national development strategies is helpful at the country level but the report could say more about providers' responsibility (and relative failure to date) to align with these strategies as well as supporting their development;

- Recognition of the need for better data on the use of public finance to leverage private investment (blended finance) and the need to develop globally agreed standards for blending are welcome however the process to develop those standards and the technical exercise of measuring these flows needs to be more inclusive:
    - It is a welcome remark that discussions on transparency for blended finance have started in the DCF. The UN, with relevant fora such as the FFD forum or the DCF, provides the best place for these discussions and developing joint guidelines;
    - The work of the OECD DAC to develop standards is noted in the report but a more inclusive and legitimate forum, where developing countries (and development actors in those countries) have a stronger voice, should be considered as an alternative or additionally;
    - Welcome the recognition that the development effectiveness principles are critical to effective blended finance – greater clarity on next, practical steps would be useful and in particular how the work of developing this will be taken forward (noting the work of the donor community in the DAC). The GPEDC and UNDCF would be natural homes for this.
- The Report should also unambiguously state that ODA remains an important supplement to domestic resources in meeting the SDGs' commitment to leave no one behind. Yet at present while the OECD DAC Creditor Reporting System allows allocations for gender equality to be tracked, there is little data on resource allocations for other marginalized groups, such as persons with disabilities. A number of individual donors are starting to introduce disability policy markers to their own internal reporting systems (for example the UK Department for International Development), and the Task Force should recommend that the international community review lessons from this experience with a view to tracking more comprehensively ODA allocations for persons with disabilities and others who have been left behind.

Comments on International Trade

- Comments for this section are not yet finalized and will be submitted as soon as available.

Comments on debt and debt sustainability

- There is no information at all on the work done by the UN Human Rights Council and the Independent Expert (a Summary of which can be found here). In particular important would be to flag the country assessments and the preparatory work for human rights impact assessments (of debt restructurings, adjustment programs, even of paying to vulture funds), as suggested in the report to the General Assembly. Due to this omission, the IATF report fails to make the links and assess the impact of debt distress on the realization of human rights and sustainable development outcomes (AAAA 98);

- This IATF report only describes what international organizations and states are doing. It should be emphasized that CSOs are also doing a lot: for example conducting independent debt audits, or encouraging governments to audit debts along responsible lending and borrowing principles. This is particularly important as there is no assessment on how governments increase transparency in debt management (AAAA 96). The main work in this regard has been done by the citizen debt audits;
- The chapter on debt trends should also cover the debt-to-revenue ratios, as this is the one that measures what the opportunity costs of debt service are, how much money goes missing for public and development spending. Research done by the Jubilee Debt Campaigns of Germany and the UK indicates that there has been a dramatic rise in recent years;
- Box "review of the LIC DSF". There could be more coverage of fundamental CSO critique – that the IMF's DSA does not measure the impact of debt service on a countries' capacity to finance the SDGs);
- Vulture funds: There is a new law in France, which is not mentioned. More important would probably be to flag that there are about 190 UN Member States in which there is no law yet;
- Sovereign debt restructuring frameworks: An assessment on how the new UN principles impacted would be useful, and a conclusion describing how to increase impact;
- Finding an urgent solution to SIDS debt crises (AAAA 93). One should at least mention that ideas for a regional debt relief initiative have been developed by CEPAL, UND, World Bank. Then stress that not much else happened;
- Finally, the other chapters in this IATF report do not pay sufficient attention to the commitment to ensure debt sustainability (AAAA 94). Many of these new "trillions" that are expected to be mobilized are debt-creating flows and drive 'beneficiary' countries' debt ratios to new highs. The report turns a blind eye to the inherent conflict between these actions and debt sustainability.

Comments on Addressing Systemic Issues

- Comments for this section are not yet finalized and will be submitted as soon as available.

Comments on Science, technology, innovation and capacity building

- On setting up Innovation Funds (pp., 126-127): The statement that "Some progress has been made on the Addis Agenda commitment to consider setting up innovation funds where appropriate. " (p. 123) is a quite misleading claim. The reference used as basis for this statement is the 2015 UNESCO Report which covers innovation funds and similar mechanisms that were established or planned many years prior to the adoption of the Addis Agenda in July 2015 and its affirmation by the UNGA in September 2015. To attribute the establishment of these innovation funds, or even some of them, as an achievement of the Addis Agenda is therefore misleading, if not dishonest. The FfD should instead adopt the 2015 UNESCO Report as a baseline for assessing the progress of implementation of the Addis Agenda on setting up of innovation funds, starting in 2016 which the current IATF Report should have covered. Innovation funds at the global, regional and national levels that were established to deliver the commitment in para. 118 of the Addis Agenda should have been presented instead of re-labeling what are already existing. The lessons from existing innovation funds, however, would be very useful in informing decisions on development and establishment of new innovation funds to deliver the Addis Agenda;

- On the nature of Innovation Funds: Global, regional and global innovation funds should be inclusive and should support diverse sources of knowledge, not just those coming from the formal system and not just for entrepreneurial ends. Financing for Development, after all, should primarily benefit people and communities. 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;

- On Capacity Building: The Report should be able to offer some analysis on the reason behind the recent decline on international technical assistance and funding for capacity building for African countries, LDCs, LLDCs and SIDS (p. 124). Examples of ODA on capacity building should be given, ideally comparing those that are in place before the Addis Agenda was adopted and those that were put in place since 2016 in order to track progress in the quality of capacity building initiatives at the global level, not just on the level of financial disbursement for capacity building from ODA;

- On South-South cooperation (p. 129): There is no mention at all of global programs that support and enable South-South cooperation among middle- and lower-income developing countries, pointing to an observation that South-South cooperation is expected to be an initiative among developing countries that does not require an enabling framework - which does not seem correct. As noted in the Report, while there is increasing South-South cooperation in STI albeit continues to be relatively small, these are mainly led by major developing countries such as China, India,South Africa and Brazil that are producing technologies and innovation that are transferred or shared with smaller developing countries often within the same region (p. 129). There is a need for the FfD to address the need for a global framework to enable, facilitate and support South-South cooperation;

- On funding for the Technology Facilitation Mechanism (TFM): The Report extensively presented the accomplishments of the TFM since its establishment in 2016 as mandated by the Addis Agenda (para 123), enumerating its contributions in providing a global platform for sharing of experiences, lessons and actual STI for SDGs particularly through the annual multistakeholder STI Forum and the soon-to-be-established Global Online Platform. However, the IATF report overlooked one very important information that is critical for the TFM to realize its mandate in ensuring the STI works for the achievement of the SDGs and the 2030 Agenda for Sustainable Development - finance. TFM does not have any specific funding allocation and no donor country contributes to the operationalization of its components, and merely supported by the regular funding of UN DESA for the implementation of the 2030 Agenda. The Report should call for allocation of financing for the fulfilment of the TFM's mandate;

- Concluding Note: The is an urgent need to recognize diverse sources of knowledge and broad STI framework. The sparse accomplishment of the Addis Agenda in the STI area could be attributed to the very narrow underlying framework for STI approaches, as pointed out by the CSO FfD Group at the outset when the Addis Agenda was adopted in 2015. It is very clear in the STI section of the Addis Agenda that formal knowledge, technology and innovation are the kind of STI envisioned to be supported by FfD. The IATF Report, in fact, has not made any single reference to cases, examples or programs on how traditional knowledge, technology and innovation have been incentivized, supported and facilitated. Its reference to organic farming by smallholder farmers as an example of "social innovations" implemented in several countries is reveals how the Addis Agenda's STI framework regard community-based technology and innovation.

Comments on Data, monitoring and follow-up

- Where referring to the lack of statistics on disabilities, the Report can suggest that, for the purposes of SDG data disaggregation by disability, the short set of questions developed by the Washington Group on Disability Statistics can be used as a methodology at low cost.
- Further comments for this section are not yet finalized and will be submitted as soon as available.