

Third FfD FAILING to FINANCE DEVELOPMENT

Civil Society Response to the Addis Ababa Action Agenda on Financing for Development

Addis Ababa, 16 July 2015

We, members of hundreds of civil society organizations and networks from around the world engaged in the Third FfD Conference, would like to express our deepest concerns and reservations on the Addis Ababa Action Agenda, based on both our ongoing contributions to the process and the deliberations of the CSO FfD Forum (Addis Ababa, 10-12 July 2015).

The Addis Ababa Action Agenda (AAAA) lost the opportunity to tackle the structural injustices in the current global economic system and ensure that development finance is people-centred and protects the environment. It does not rise to world's current multiple challenges, nor does it contain the necessary leadership, ambition and practical actions. It undermines agreements in the Monterrey Consensus and the Doha Declaration and it is almost entirely devoid of actionable deliverables. We regret that the negotiations have diminished the FfD mandate to address international systemic issues in macroeconomic, financial, trade, tax, and monetary policies, while also failing to scale up existing resources and commit new financial ones. The AAAA is also deeply inadequate to support the operational Means of Implementation (MoI) for the Post-2015 Development Agenda, exposing an unbridged gap between the rhetoric of the aspirations and reality of the actions.

Against this background, we will continue to be as engaged as ever to uphold the aspirations for economic, monetary and financial frameworks that respond to the imperatives of human rights and the values of humanity and solidarity. We will continue to promote the vision of an economy at the service of the people and the planet, and advocate for the democratization of economic governance and the reaffirmation of the centrality of the United Nations against the governance clubs of the powerful. We expect that the Addis Agenda's establishment of an intergovernmental and universal Forum on FfD will provide the political space to advance the global normative agenda in this direction.

While the Addis Ababa CSO FfD Forum Declaration addresses the full scope of our concerns, we wish to highlight the following critical issues:

- **Gender Equality as Smart Economics:** The additional steps to address gender equality and women's empowerment seem to speak more to "Gender Equality as Smart Economics" than to women and girls' entitlement to human rights and show a strong tendency towards the instrumentalization of women by stating that women's empowerment is vital to enhance economic growth and productivity.
- **Misplaced optimism towards private finance:** We caution that the AAAA's optimism towards private finance to deliver a broad sustainable development agenda is misplaced. The AAAA fails to endorse binding commitments to ensure business accountability based on internationally

recognized human and labor rights as well as environmental standards. There is a growing body of evidence that substantiates civil society's serious concern for the unconditional support for PPPs and blended financing instruments. Without a parallel recognition of the developmental role of the State and clear safeguards to its ability to regulate in the public interest, there is a great risk that the private sector undermines rather than supports sustainable development.

- **International tax policy remains the domain of the powerful:** The Action Agenda fails to establish an intergovernmental, transparent, accountable, adequately resourced tax body with universal membership that could lead global deliberations on international tax cooperation, stop illicit financial flows and tackle corporate tax dodging, reasserting the current undemocratic and profoundly unfair status quo.
- **No concrete commitments to ensure tax justice and equity:** Regressive tax policies such as indirect taxes disproportionately harm people living in poverty, women, minorities, persons with disabilities, children, and other marginalized groups. Concrete commitments to implement integrated social protection systems, including floors, remain vague and the AAAA fails to reaffirm the need for the implementation of the relevant ILO Conventions and Recommendations.
- **Tendency by traditional donors to elude responsibilities and effectiveness commitments:** We note with great concern the tendency of traditional donors to elude their responsibilities by putting emphasis on South–South cooperation, Domestic Resource Mobilization or the Private Sector. International Development Cooperation remain critical for development financing and fulfilling the 0.7% commitment made more than four decades ago remains pivotal. Furthermore, the Addis Agenda does not unambiguously address the necessary additionality of climate and biodiversity finance.
- **No critical assessment of trade regimes:** Instead of safeguarding policy space, the Addis Agenda fails to critically assess international trade policy in order to provide alternative paths to commodity-dependence, eliminate investor-state dispute settlement clauses, and undertake human rights impact and sustainability assessments of all trade agreements to ensure their alignment with the national and extraterritorial obligations of governments.
- **Recent UN normative developments on debt ignored:** The AAAA ignores the important normative developments in the direction of improving sovereign debt restructuring and establishing guidelines for responsible borrowing and lending that have taken place in the UN over the last few years. It also fails to stop debt sustainability calculations as being the “purely technical” exercise that the Bretton Woods Institutions claim it to be, and embed the moral and legal dimensions that their impacts on human rights call for.
- **Limited progress on technology:** We welcome the establishment of a Technology Facilitation Mechanism (TFM) under the UN and we recognize its potentials to address the obstacles to technology transfer and to enable developing countries to harness their innovation capacities to

respond to development challenges. It is however crucial to emphasize that technology development is not a monopoly of the formal sector, nor is technology only transferred and diffused by the private sector and industrialized countries.

- **Weakening of UN mandate to address systemic issues**: The Addis Agenda fails to provide sufficient political leadership to strengthen the role of the United Nations to lead the necessary human rights-based, pro-development reforms of global economic and financial systems and institutionalize greater coherence. Instead of the profound reflection on the IMF's failures pre- and post-crisis and its unwarranted austerity advice as a response, the Addis Agenda calls for strengthening it and validates the insufficient governance reform process going on. There is no call for reform of the Special Drawing Rights regime towards its full potential to serve as a development finance tool and as the center of the international monetary system. Capital controls are barely acknowledged.
- **No strong commitment in terms of transparency and accountability**: We believe that references to the importance of transparency and accountability in the follow-up of the Addis Agenda are not matched by strong commitments from governments to publish timely, comprehensive, accessible and forward-looking information about all development activities and resource flows.