**Financing for Development Justice**

**Asia Pacific Civil Society Statement**

**28th – 29th April 2015**

Civil society of the Asia Pacific region, gathered in Jakarta to attend the regional Financing for Development meeting urge our governments to orient these negotiations toward **Financing for Development Justice.** We endorse the statement of the CSO FFD Group and the statement of the Women’s Working Group tabled during negotiations in New York.

We meet at a critical global moment. A moment in history where governments have promised to create a more just and sustainable development agenda, where governments have agreed to produce a binding instrument to limit global warming and where governments are meeting to review and accelerate the commitments they made in Monterey and Doha to . …

We also meet at a moment when inequality has grown so high and so obscene that 85 people in the world hold as much wealth as 3.5 billion – half the world’s population; at a moment where the planet is perilously close to the climate tipping points where our planet will become uninhabitable; at a moment when accountable democracy is in terminal decline.

Repeated commitments by states to redress the asymmetrical finance, trade and economic order of the world have been entirely rhetorical. Since Monterrey and Doha the poorest 60% of the world received a mere 5% of the income generated by global GDP growth, while the richest 40% received 95%.[[1]](#footnote-1) The Global Financial Crisis did not result in the systemic review clearly warranted. The true impact of neo-liberalism is now impossible to ignore; it produces levels of inequality that haven’t been seen since feudalism. Inequality that is economically unsustainable, corrosive of democracy, and morally indefensible.

Yet, the zero draft of the Addis Ababa Accord fails to seriously address the crisis of the moment. Instead it aims to backtrack on existing commitments and to persist with the failed, cancerous and deeply inequitable model of neo-liberal growth.

The main aim of the FFD agenda must be redistribution. Without redistribution there can be no sustainable development.

**Response to the Zero Draft**

The Addis Ababa Accord zero draft significantly corrupts and dilutes the commitments made in Monterey and Doha. The draft omits key proposals made in the ‘elements paper’ tabled in January this year that provided a far more balanced proposal.

The draft is now weighted heavily towards the interests of TNCs and OECD countries. Key proposals in the elements paper that must be fully reflected include; agreeing on an official definition of illicit financial flows, and mandating impartial official estimates; reflecting the SDGs in setting/updating international tax norms and tax agreements; agreeing on international (or regional) minimum corporate tax floors and a consolidated corporate tax base; committing to a human rights impact assessment of all trade and investment agreements; elaborating binding environmental, social and human rights standards for all investment agreements; safeguarding the right to regulate on health, environment, safety, financial stability, etc.; and continuing existing discussions on a multilateral framework for sovereign debt restructuring.

The core principle of Common but Differentiated responsibilities is, predictably, being eroded in the document. The Global Partnership between developed and developing countries must remain the foundational premise of the FFD agenda.

Human rights and gender equality are not adequately prioritized in the document. While recognition of both are included in the narrative, the document instrumentalises women as tools of economic growth.

While the FFD and Post2015 agenda are complimentary, they should not be merged and the AAA should be clear on the ways that the processes intersect and compliment each other. Both processes would be weakened by a merged process. The post2015 agenda requires further means of implementation than is included in the FFD agenda. The FFD agenda must have its own process and accountability mechanism to ensure the promises made are advanced.

1. Mobilizing domestic financial resources for development.

While the Global Partnership for Development, requiring OECD countries to provide financing for development, must remain the core of the financing for development agenda, we should must recognise that there is significant wealth in the region that should contribute to domestic resources. We have enormous and growing concentration of wealth in this region. Just 0.001% of the Asia-Pacific population in 2013 classed as UHNWIs, with about $7.5 trillion of net wealth in 2012-2013. In some countries in our region the net wealth of ultra high net worth individuals is half GDP. And their net wealth is 17 times more than the combined GDP of the Asia-Pacific least developed countries . Quite frankly we don’t have a problem of funds, we don’t need to be looking abroad for investment. We have a problem of wealth. We have a problem of greed backed by state policies that channel our collective wealth from workers, from Indigenous peoples, from your populations to a tiny few obscenely wealthy people in our region and abroad. We have a distribution problem.

The failure to redistribute this wealth has been a failure, inter alia, of fiscal policy. As ESCAP found in its 2013 report … *"Inequality in the region has been exacerbated by the failure of fiscal policy to play its distributional role through making the tax structure more progressive and providing for increased expenditure in the public provisioning of essential services, including social protection*."

Encouraged by the World Banks’ ‘Doing Business’ rankings, several countries in our region have reduced corporate taxes well below the 30% regarded as a minimum to provide for the most basic public expenditure.

In Asia – particularly in the East and Southeast – governments are leaning towards legislating a lower rate of corporate taxation. For instance in China, the corporate income tax rate has decreased from 33 percent in 2007 to its current 25 percent, and Indonesia’s has decreased twice since 2007. Vietnam’s rate has changed from 28 percent in 2008 to 25 percent in 2012 and 22 percent in 2014, and the country’s government has already announced its intention to alter the rate once more to 20 percent in 2016. Malaysia, the Philippines, Thailand, and the majority of the other countries in the Association of Southeast Asian Nations (ASEAN) have experienced a similar downward turn in corporate income tax rates over the past several years.[2]

The prevalence of ‘tax holidays’, export processing and other tax free zones add further to the diminished state of public resources and ensures foreign investment provides little to the countries from which they extract. Tax cooperation amongst states, avoiding the ‘race to the bottom’ tax pressure states currently face must be a priority for this meeting.

1. Mobilizing international resources for development: foreign direct investment and other private flows.

The Global Partnership between developed and developing countries must remain the foundation of the Financing for Development. The principles of common but differentiated responsibilities (CBDR) must be fully reflected in the outcome document at this meeting and in Addis Ababa. Multi-stakeholder partnerships are being used to erode the obligations of developed states and used to further cement private sector ownership over our collective assets, over our commons.

Most wealthy countries have not delivered on their responsibilities to finance development and provide 0.7% of GDP in Overseas Development Aid. Nor have developed states met their obligations to address the unbalanced systems that produce inequalities of wealth and power between countries and undermine development outcomes.

Attempts to weaken the long-standing ODA target is weakened in the draft AAA. Instead, the minimal commitment should be strengthened through the AAA. We endorse the call for the obligation to be increased to 1% of GNI and for an accountability mechanism that requires the target is met. The obligation of states cannot be diminished by private finance and nor can it be abrogated by South-South or ‘triangular’ cooperation.

Private finance and ‘public-private partnerships’ are omnipresent in the document as well as in the statements of many wealthy states. PPPs have shifted the risks of investment to the public while guaranteeing profit at the expense of national resources for development. PPPs have had questionable benefit at best and have caused grave human rights violations at their worst.

Shifting financing for development to financing not only diminishes the state responsibility to fulfil the right to development but results in the shifting of public resources to the private sector, the shifting of people’s common resources to private wealth. The long term impact of this is to reduce both national resources and to relinquish state policy making space around development to the private sector.

The primary role for the private sector should be as a source of taxes. The primary role for governments in relation to the private sector must be to provide regulation.

Innovative sources of financing for development justice should be derived from global taxes, particularly taxes on harmful taxes including speculation, extractive industries, arms trade, carbon emissions.

CLIMATE FINANCE (proposed drafter … )

The zero draft has failed to commit new and additional financing or climate adaptation and mitigation. Governments must not attempt to diminish their historical obligation to provide climate financing by dipping into limited overseas development assistance nor by outsourcing obligations to the private sector.

1. International Trade as an engine for development.

In both the financing for development negotiations and the post-2015 development process, attention is given to trade policies as an instrument for sustainable development. Yet trade and investment agreements have served to instead undermine development justice and given primacy to investment over human rights.

The ability of governments to regulate in the interests of sustainable development, gender equality, and the human rights obligations by which they are legally bound continues to be eroded by preferential agreements that cover vast amounts of global trade. These agreements, including the Trans Pacific Partnership which would cover one third of global trade, have moved far beyond lowering traditional trade barriers and into regulation of key areas of public policy; regulation that is frequently backed by procedurally suspect investor-state dispute settlement that result in multimillion-dollar awards against governments attempting to regulate in the public interest. The level of bias and procedural unfairness within this dispute settlement system has led even leading international arbitrators to call for its overhaul.

The FfD zero draft rightly calls for the proper review of investor-state dispute settlement clauses and the need to ensure preferential trade agreements are negotiated transparently, and do not undermine sustainable development. This commitment is necessary not only as a matter of policy, nor only as a matter of development justice to redress the imbalance between corporate and public power. It is necessary to fulfil governments obligations under international law, in which their duties to fulfil human rights without discrimination prevail.

1. Increasing international financial and technical cooperation for development.

Democratisation of international financial institutions remains an unmet promise. WTO rules must be reviewed to ensure human rights are given primacy in the hierarchy of state obligations. This requires ensuring intellectual property regimes do not prevent access to medicines, technologies and other development needs.

A UN technology facilitation mechanism should be an outcome of these negotiations.

1. External Debt.

Debt payments continue to diminish public funds from developing countries and outweigh development assistance.

The zero draft fails to give sufficient attention to the various debt restructuring mechanisms being developed. The need to stop predatory corporations from speculating on sovereign debt and extracting enormous profits was recognised as urgent by states and should be properly reflected in the FFD agenda.

1. Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.

The AAA must deliver on the multiple promises states have made to reform global systems and address the detrimental and inequitable impacts of international monetary, financial and trading systems. To do that the outcome must include clear, specific, time bound actions. The elements paper provided a series of recommendations that must be advanced including developing a UN intergovernmental Tax Organisation.

We can no longer validate intergovernmental documents that are not accountable. This AAA must provide mechanisms to monitor, review and ensure implementation of commitments made.

1. http://www.theguardian.com/global-development-professionals-network/2015/mar/30/it-will-take-100-years-for-the-worlds-poorest-people-to-earn-125-a-day [↑](#footnote-ref-1)