Financing for Development is 'Preserving' the Status Quo

By Social Watch Philippines

Manila, Philippines—Today, we witness state leaders, high-level officials, civil society groups, and business representatives convene for the Third International Conference on Financing for Development (FfD3) in Addis Ababa, Ethiopia to discuss and agree on an action plan for financing development, including the Sustainable Development Goals to be adopted by UN member states in the September 2015 Summit.

"We started from an optimistic viewpoint on FfD3 and now ending with so much disappointment over what seems like retrogression from old agreements. There is no mention at all of peace dividends generated from the elimination of weapons of mass destruction and nuclear weapons, and the reduction in defense spending. Debt relief and condonation are treated marginally. The emerging document suggests business as usual. It doesn't explain the fundamental reasons for why there is lack of financing sustainable development," lamented Isagani Serrano, co-convener of Social Watch Philippines (SWP) and president of the Philippine Rural Reconstruction Movement (PRRM).

In the most recent draft of the outcome document on FfD3, much emphasis has been made about private business being the "major drivers of productivity, inclusive economic growth, and job creation". Under the critical lens, one might say that the agenda has become a guideline to outsourcing development to the private sector. "Private financing is highlighted in almost every section of the draft – from catalysing private investment with Official Development Assistance (ODA), to galvanizing private climate finance, to encouraging private

infrastructure investment, to involving them in the follow-up and review, said Rene Raya, co-convenor of Social Watch Philippines and lead policy analyst of Asia South Pacific Association for Basic and Adult Education (ASPBAE).

Should people be bothered? Well yes, they should be.

How about financing issues that have profound impacts on people's lives? How about debt and trade issues that affect the rights of marginalized and vulnerable groups? How about the commercialization and privatisation of education and health services which impact on access and equity, resulting to segregation in society. For all the rhetoric about leaving no one behind, the FfD3 is not about advancing development justice but preserving the status quo—which accepts that leaving people behind and the environment are 'inevitable trade-off'," Raya added.

Prof. Leonor Magtolis Briones, Social Watch Philippines lead convenor and former National Treasurer explained, "Business can be an engine to advance sustainable development; though it must be pointed out that not all businesses share the same viewpoint or aspiration. As we may already know, it is very challenging to make businesses, particularly multinational enterprises, to implement and adhere to international standards concerning business behavior and accountability—primarily due to the voluntary nature of existing guidelines and instruments. If there is anything that the FfD3 should strengthen, we think accountability should be it. And we clarify that we are not talking only about business accountability, but more importantly, the accountability of states to their people."

"It is disheartening how much faith the UN has put on the private sector that it practically lets corporations off the hook of accountability. The draft provided creation of 'regulatory frameworks to better align private sector incentives with public goals', but this was done through

incentives, and without demanding consistent legal requirements and strict regulations and enforcement to move corporate behaviour to sustainability. The limited role of states to creating an enabling environment for private investments is most disturbing. Lost is the critical role of governments to hold corporations accountable and to exercise due diligence to ensure that human rights and justice are served," Briones added.

It is also urgent that the principle of Common But Differentiated Responsibility (CBDR) be included in the action plan. Rich countries accept this appeal but only on environmental issues. As they would like to put it, the CBDR is no longer applicable at this time when there is more wealth in more countries. Development, as they argued, is a universal responsibility.

"To this we would like to point out, that the new wealth remains concentrated on few hands and thus it would still be governments who would shoulder the burden of financing development. CBDR is prerequisite to our ambition of global partnership. Without it, we are letting rich countries off their financial commitments," Serrano countered.

"The financing of Global Agenda 21, estimated by the UNCED/Earth Summit Secretariate in 1992 at about $700 billion annually was mainly to come from domestic resources. This meant that governments must finance their respective national sustainability plans through domestic resource mobilization and consider ODAs, FDIs, and other financing streams as just supplemental," he added.

Briones agreed that domestic financing is the most important of all strategies in financing development. She pointed out, however, that the draft action plan offered nil about the source of domestic resources.

"Who is going to pay for development?" she asked

Briones suggested that in order for domestic resources to contribute to sustainable development, progressive taxation that broadens and deepens the tax base must be adopted. “SWP believes that taxation of wealth and inheritance is a powerful force to limit inequality and improve domestic resource mobilization.”

“Finally, we call for the UN and state leaders to make the FfD3 action agenda a binding document. For all the hard-work and money that have been put into the FfD debates, it is only just to sanction governments who will not deliver to the commitments they made.” Briones said.

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