Civil Society FfD Group's Comments to the 2022 Financing for Sustainable Development Report (FSDR)

This document has been collectively developed by the Civil Society Financing for Development (FfD) Group (including the Women's Working on FfD), 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 Civil Society 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.

Overarching Comments

- The multiple crises should be taken as an opportunity to take decisive steps in transforming the global economic and financial system. The global financial system is riddled with its own internal, inhuman, irrational and unjust logic, policies and practices. The 2022 FSDR falls short of taking the multiple crises as an opportunity to take decisive steps to transform the global financial system and begin constructing a new one that serves the needs and interests of people and the safety of the planet.

- Finance capital and the financial system should be based in and serve the real economy – production and social reproduction. But the financial system cannot be made just and fair unless the economic order it emanates from and should support is also changed. The construction of a new financial system must be part of a larger agenda and process of changing the global economic order.

- We find that the FSDR does not depart from the logic of the current system. The framework, analyses, options and recommendations it provides largely ignore 1) the huge inequalities across economies 2) the unjust economic, financial and power relations across countries, 3) the flaws in the orientation and structures of domestic economies, 4) the net outflow of resources from the South to the North including those in the form of illicit financial flows, interest rates on unsustainable and illegitimate debt and supply driven and predatory lending, imbalances in trade due to unfair trade relations and the cultivation of import dependence of Southern countries – 5) and the constraints all of these impose on the abilities of countries of the global South to generate and mobilize financial resources for the fulfillment of the needs and basic rights of their people.

- We find a disjunct between the Report and sustainable development goals and strategies. In particular, we are gravely concerned that the Thematic Chapter and the whole Report focuses too much on improved access to and modalities of credit and access to capital markets as means for "long-term, affordable and stable financing."

Cross-cutting Comments

- The IPCC report: Climate Change 2022: Impacts, Adaptation and Vulnerability, states very clearly that we cannot continue promoting "growth" at the center of our economic efforts. The next 10 years are crucial to ensure we remain below 1.5 degrees, and that cannot be done by pursuing measures towards "growth", as the 2022 FSDR does. De-growth, redistribution, reparations, while promoting sustainable production and consumption need to be at the core of the new paradigms. This means transiting towards a renewed multilateralism that addresses the power imbalances and structural inequalities.

- Human rights should be the key point of entry of every segment of the 2022 FSDR. Especially in the context of the multiple crises, progressivity of rights, do no harm, polluter pays, intergenerational equity, all these principles should guide every decision-making. Risk-assessment need to include especially the human rights and environmental integrity risks faced by communities and different groups of population whenever an economic intervention is to be considered, not only the risks for investors.

- The public sphere needs to be strengthened with an expansion of fiscal space, a larger provision of quality and free public services, national care systems universal protection floors and differentiated measures to reduce specific and structural inequality gaps amongst diverse groups of population. Policy space, or genuine policy autonomy at national and regional levels, is required for employing gender equitable and women's rights strategies that fully integrate the paid and unpaid care economy towards improving the material conditions of life and opportunities for women.

- The COVID 19 crisis has shown how our societies rely so much on women's unpaid domestic and care work that there are estimations calculating that women's human rights have seen a regression of almost 20 years. Women have been in roles of first responders and at the frontline of the impacts, while facing concerning increase of gender violence in the context of the lockdown, with lack of access to sexual and reproductive services and rights. Women become "shock absorbers" due to the "elasticity" of the time-value-work relation linked to women, which can be detected more clearly in an austerity context.

- The notion of "labour" becomes much more useful than "employment" to analyze the economic drive and potential of an economy. In that sense, labor can not only be analyzed by paid or unpaid, but also by formal and informal. In all these axes, women stand in the lower scale, by undertaking more unpaid and more informal labour, making precarious in multiple ways their access to human rights, opportunities, income, social protection and wellbeing. When referring to the economic dimension of gender, usually all these dimensions are emphasized. The macro-economic dimension of gender, though, points out that without addressing the sectorial inequality gender gaps alongside those of time use and the sexual division of labor, we may not be able to eradicate gender inequalities in the upcoming centuries.

- Women are being disproportionately affected by the crises through multiple channels, including the unpaid care economy, employment in the informal sector, export processing zones, domestic work, migrant work and healthcare sectors and greater reliance on public services and social protection systems.

- Decades of empirical evidence illustrate that austerity reduces the social protection and public services, particularly in health and education, which support women, children, the elderly, disabled and physically ill. Under austerity, labour protections weaken, extraction increases and privatisation, including through PPPs, scales up to benefit corporations and financial interests, often via trade and investment agreements. Women's unpaid work and time poverty is increased, as they involuntarily become shock absorbers.

- A feminist economy for recovery centers the care economy and gender equality through fiscal policy space for financing public services and social protection. A feminist reform of macro-policy calls for a rewriting of the rules of the economy, particularly the governance of fiscal policy, debt sustainability and macro-stability assessments, as well as illicit financial flows. A feminist assessment of debt sustainability integrates SDG, climate and human rights financing.

- The economic recession across most developing countries reveals the critical importance of non-market institutions, beyond the state, in stabilizing the world's macro-economies. Households and non-market production have always played an essential stabilization role during macroeconomic crises. This role has been made more evident in the current pandemic. Economic activities in the market sphere, such as childcare, education, food preparation, etc., have been displaced to the non-market sphere. In effect, the provision of unpaid labor has served as an automatic stabilizer, propping up household consumption, in a way not entirely dissimilar to state programs such as unemployment insurance.

- We welcome that the draft Financing for Sustainable Development Report (FSDR) includes references to persons with disabilities, in the sections on social protection (pp. 52 and 54), IDA replenishment (p.108) and remote/digital learning (p.198).

- However, we are concerned that these are the report's only references to persons with disabilities – who represent some 15% of the global population1 and experience particularly extreme inequalities. Further, we are worried that these three references seem to reduce the rights and social justice of persons with disabilities to a peripheral issue within the financing for development agenda, which can be tackled through top-ups to a small number of existing initiatives – rather than recognising that persons with disabilities are hit disproportionately hard by inequalities and injustices right across the global economic system, and that wider issues of economic justice are inherently also disability rights issues.2

- For example, the following issues are all critical to the enjoyment of rights and social justice by persons with disabilities, and we call for all three issues – including their implications for persons with disabilities – to be given prominence in the FSDR's final draft: the need for a universal, intergovernmental UN tax commission and a UN Tax Convention to address tax havens, tax abuse by multinational corporations and other illicit financial flows;3 for an open-ended intergovernmental working group to work towards a binding and multilateral framework for debt crisis prevention and resolution; and for an immediate moratorium on Investor-State-Dispute-Settlement (ISDS) cases and on all trade and investment agreements that compromise policy space to promote human rights and equalities.4

- We also call for the FSDR to include more references to the rights and equality of persons with disabilities in other sections. Such references should include, but need not be limited to, the following:

    - The disproportionate impact of austerity programmes on persons with disabilities (p.17), and the need for international public finance to be provided free from economic policy conditionalities that restrict fiscal space (Chapter IIIC, including section 3).[5]

    - The latest evidence on the inclusion of persons with disabilities in ODA spending. Since 2018, the OECD has tracked disability inclusion in ODA using a policy marker very similar to its gender equality marker. This data is readily available in a format that has been agreed by the OECD Development Assistance Committee.[6] It is hard to understand why the FSDR has not included this data in its report when it has included parallel data on gender (p.101), and we worry that this omission risks perpetuating the same exclusionary norms that the OECD's new disability policy marker seeks to confront.

    - The implications that different *types* of ODA spending have for the enjoyment of rights and social justice by persons with disabilities. For example (p.103), grants rather than loans have a particularly important role to play.[7] And (p.110-112), as the former UN Special Rapporteur on

[1] World Bank/World Health Organisation, 2011, World Report on Disability, p.29
[2] For more analysis on this issue, please see Stakeholder Group of Persons with Disabilities, 2021, Financing rights and social justice for persons with disabilities in the era of COVID-19 and beyond
[3] See Eurodad and the Global Alliance for Tax Justice's recent Proposal for a United Nations Convention on Tax, which includes specific reference to reporting on whether "tax systems, policies and practices promote implementation of international goals, obligations and commitments relating to … the rights of persons with disabilities » (Article 13 paragraph 3).
[4] For more detailed analysis on the extraterritorial impacts of tax and debt policies on the rights of persons with disabilities, please see CBM Switzerland, 2022, How far do Switzerland's policies on financing for development (particularly tax and debt) promote rights and equality of persons with disabilities?
[5] Office of the High Commissioner for Human Rights, 2013, 'Report on austerity measures and economic and social rights', p.21. For analysis on how austerity policies linked to IMF loans jeopardised access to healthcare and social protection for persons with disabilities in Argentina, see Associación Civil por la Igualdad y la Justicia, 2019, 'Las personas con discapacidad no son una prioridad para el Gobierno argentino'; and Brunswijck, Meeks and Viera, 2019, 'IMF is failing people with disabilities in Argentina'
[6] See OECD, 2020, The OECD-DAC policy marker on the inclusion and empowerment of persons with disabilities : handbook for data reporters and users
[7] For more analysis on this issue, please see Stakeholder Group of Persons with Disabilities, 2021, Financing rights and social justice for persons with disabilities in the era of COVID-19 and beyond, p.8

Disability found in her 2020 report on international cooperation, the disability rights implications of private sector instruments should be assessed before any decision is made to invest ODA resources in this way.[8]

- The criticality of gathering data on persons with disabilities as part of the SDG monitoring framework (Chapter IV).[9]

II. Overcoming the 'Great Finance Divide'

The thematic chapter almost exclusively reduces the fiscal scale limitations to the modalities for accessing capital markets and the borrowing costs. While these are critically important, three overarching considerations:

- Firstly, the conceptual framework of the chapter is completely disjointed by the real economy and therefore ignores the profound limitations, in terms of domestic resource mobilization and resulting fiscal space, of economies that remain trapped by commodity dependence and therefore unable to promote virtuous cycle of wage growth and expansion of the domestic demand for local produce. We are therefore deeply concerned with the increasing decoupling of "financing for development" from sustainable development strategies and socio-economic transformation. Most developing economies remain trapped into their primary sectors, with lack of productive capacities and economic diversification, and significant limitations of real wage growth under the pressure of international competitiveness in their export-led economic strategies. This means that these economies, excessively integrated in the global economy, remain too small to generate significant fiscal revenues, in additional to feature deep dependence on the growth rates of industrialized countries. It is therefore essential to highlight that, without addressing the current global division of labour, tackling commodity dependence and promoting industrialization, economic diversification and wage growth, it is impossible to walk out on the unbearable constraints of fiscal space that render impossible to purse an inclusive and sustainable pathway of socio-economic transformation within developing countries. This means that reforming trade and investments regimes and endorsing a new generation of industrial policies is at the very heart of the fiscal constraints challenge.

- Secondly, the fiscal space is significantly constraints by outflows of resources. The Chapter features no reference to the drainage of fiscal resources for illicit financial flows under the current inadequate and unjust tax regimes. And the continued reference on strategies based on foreign debt, access to capital and lowering of borrowing costs, while certainly interesting and useful, is somehow at odds with the unsustainable debt levels and the solvency challenges that characterize the current crisis. The Chapter therefore fails to expose the systemic barriers and unhelpful global frameworks (trade, debt, tax, global finance) that generate unhelpful dynamics that limit the policy and fiscal space of developing countries.

- Thirdly, the fiscal space of developing countries in unnecessarily constrained by the spill over effects and other implications of developed countries policies on developing countries. In this respect, we are extremely concerned with the overemphasis on monetary responses to the current inflationary pressures, generating tensions and misalignments between fiscal and monetary policies as a result of the premature tightening of the latter. We are seriously concerned with the possible slowdown of expansionary policies and any austerity shift in a phase where public policies, investments and services are essential to propel decent employment, ensure the realization of human rights and embark on socio-economic transformation pathways towards sustainable development.

- Overall, we are unsatisfied by the overemphasis on the access to capital markets as the panacea for expanding fiscal space and the significant focus on what developing countries should be doing, including in terms of good governance, fiscal management and macroeconomic doctrine. On the contrary, the

[8] UN Special Rapporteur on the rights of persons with disabilities, 2020, A/75/186, Disability inclusive international cooperation, p.19
[9] See for example UN Committee on the Rights of Persons with Disabilities General Comment no.7, paragraph 91.

Chapter should have focused more prominently on the urgent systemic reforms that the global community should take in order to remove the systemic barriers to expanding the policy and fiscal options of developing countries, along with a more careful assessment of the implications and impact of developed countries policies on the Global South. The Thematic Chapter therefore missed a precious opportunity to advance clear normative proposals and systemic reforms that can be discussed in the upcoming FfD negotiations.

III.A. Domestic public resources

Overall cross-cutting comments:

- Once again, the focus is almost entirely on policy recommendations at the level of domestic policy. The domestic level is important. However, this is done at the cost of neglecting global challenges that shrink the fiscal policy space for member countries, in particular developing countries. At the heart of that problem lies the failure to establish inclusive intergovernmental tax cooperation where all countries participate on an equal footing. Addressing these global challenges should be at the center of a UN-led process.

- The urgency of curbing illicit financial flows and other forms of tax abuse as a measure to enhance domestic resources in the Covid-19 era is not addressed. The same is the case for the urgent need to ensure fair taxation of those who are deriving extra profits during (and some because of) the pandemic.

- As part of the strong bias towards domestic level policy measures, the report continues to have a strong focus on medium-term revenue strategies and integrated national financing frameworks. This is done without including any real operational points about how it can be ensured that such instruments are truly country driven and owned. The report also fails to mention the risk that such tools become instruments of conditionalities imposed on developing countries seeking financial resources from international sources.

3.2 Addressing gender inequalities

- We welcome the growing focus on the gender related aspects of tax policies, including the impacts on gender equality and women's empowerment. However, also on this aspect we are missing the international dimension of these issues, which should be a natural focus for a UN-led report. This includes a focus on the need to link international decision-making on tax matters to government obligations and commitments related to gender equality and women's empowerment. The obvious place to create those links is at the United Nations. Civil society organisations have put forward a suggestion for how this can be done in a new Proposal for a UN Convention on Tax.

5 International tax cooperation

- The assessment of "international tax cooperation" is overly focused on information exchange. Furthermore, and within the issue of information exchange, there is only a shallow and very incomplete analysis of the inequalities between countries, which follow from the way the international agreements have been designed. The fact that the international system has clearly failed to deliver automatic information exchange to developing countries is a direct consequence of the way the frameworks have been designed in the G20/OECD-led negotiation processes. This should be made clear in the report.

- International tax cooperation is about the entire global tax and financial governance structure, including the power imbalances in this structure and about the need for a UN lead process to democratize it. These issues are not even mentioned, despite the fact that the majority of UN member states, coming together as the Group of 77, have been asking for an intergovernmental UN tax body, which could spearhead a process to redefine international tax cooperation. In October 2021, the G77 put forward a proposal for a

UN General Assembly resolution that included the creation of an intergovernmental UN tax body. This should be mentioned in the report.

5.1 Responses to digitalization and globalization

- In the chapter, it is claimed that "*The OECD-housed Inclusive Framework on Base Erosion and Profit Shifting (Inclusive Framework) is seeking to build consensus on taxation of the digital economy*". At the same time, the report fails to mention that the most central decision, which the Framework has taken over the last year, namely the political decision published in October 2021, was adopted despite the fact that four developing country members of the Inclusive Framework were not in agreement with the outcome. The chapter also fails to mention that over one third of the world's countries were not part of the negotiations in the so-called Inclusive Framework.

- The description of the Pillar 1 and 2 proposals are misleading. Firstly, the description fails to include a number of very central points of criticism that have been put forward, in particular as regards the fact that Pillar 1 and 2 are biased against the interests of developing countries. Furthermore, following demands from the US, Pillar 1 was framed to pre-empt countries from introducing digital services taxes despite the fact that this type of tax can be very important for developing countries who won't benefit much, if at all, from Pillar 1.

- For more information, see for example UN DESA World Economic Situation and Prospects 2022 (page 43), the Report of the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (page 23-24). See also the numerous civil society statements raising strong concerns about the deal, such as this statement by African civil society organisations. Secondly, by suggesting that parts of Pillar 1 and 2 have been developed "to accommodate developing countries", or "with a particular focus on the needs of low capacity countries" (Table III.A.2 on page 63), the report even seems to suggest that the interests of developing countries have been given priority in the development of Pillar 1 and 2. This is a highly politicized and deeply misleading description.

- The description of Pillar 2 (page 65) fails to mention the risk of a "race to the minimum" - i.e. the risk that countries with relatively high corporate income tax rates will experience increased pressure to lower their rates to get closer to the minimum rates.

III.B. Domestic and International Private Business and Finance

Key messages

- This chapter emphasises scaling-up private investment, making capital markets a reliable source of long-term financing, and developing a more inclusive private sector. While some of these objectives would certainly contribute to progress on the sustainable development goals, the key messages of this chapter do not pay sufficient attention to critical issues that are limiting this from happening, such as the poor quality of investment, with detrimental impacts in terms of access to high quality services, the unsustainable business models, that all too often are at the core of many challenges the SDGs respond to, the fiscal risks of mechanisms used to attract (or de-risk) private investment, and the fact of locking countries in export-oriented development models and commodity traps.

- The overall push to increase the role of private investment should be reconsidered given the chapter's own admissions of (1) finance capital's prevailing short-termist behaviour (e.g., risk-aversion in developing countries); (2) the superficial quality of so-called ESG investing (which despite being in the trillions, were "not designed to go beyond financial returns"); (3) the current volatility of financial markets and the risks of capital flight in the global south. This below-optimal situation for 'sustainability'-driven financialisation actually presents a window of opportunity to rethink the overall narrative reliant on private finance and place the focus on the public policies needed to promote structural transformation at the country level and regulate the financial sector.

Increasing investment in future growth

- The recognition that "investment is urgently needed to build sustainable and resilient infrastructure" is welcome, as it is the call for policymakers to "respond to infrastructure needs with a systemic approach". However, this section still offers a problematic approach to the issue of infrastructure financing, as it keeps the focus on increasing the role of private investment in infrastructure without paying enough attention to the challenges of this approach and falls short of a systemic perspective to address the issue of sustainable infrastructure. More specific comments follow:

- There are important gaps in the report's assessment of what governments need to consider when it comes to the "suitability of the private sector's involvement in infrastructure," namely human rights impacts and equity considerations. These are often exacerbated by the excessive fiscal burdens private sector involvement generates to the public purse, which in turn can lead to cuts in government social spending and deepen inequalities. The discussion on p. 77 instead seems to draw from the World Bank's "Maximising Finance for Development" approach – in that the range of considerations frame state roles almost exclusively around creating good conditions for capital, including providing business friendly regulations, instead of framing them around state capacity to guarantee the fulfilment of human rights. This is a problematic and disempowering perspective of the role of the state, that is likely to undermine the recovery from the Covid-19 crisis and put the SDGs further out of reach.

- The experience shows that it is crucial to consider whether the efficiency gains resulting from the private involvement, particularly in PPP projects, come with trade-offs in terms of the quality of the services that are provided, the impacts on inequalities, including on gender inequality, and/or on workers' rights. Moreover, as the literature on PPPs clearly shows, and the Chapter also acknowledges, PPPs can create "significant fiscal risks", particularly in times of economic crisis like the one triggered by the Covid-19 pandemic, and currently there is poor transparency around those (as Chapter III.E. 4.1 of the report indicates "…estimates of contingent liabilities from public-private partnerships are available in official debt statistics in less than 10 per cent of cases."). By focusing on criteria for private sector involvement, the Chapter misses the opportunity to suggest specific actions to fully account for these risks in new and existing projects.

- As suggested by the Chapter, infrastructure needs should indeed be tackled with a "systemic approach." The "systemic approach" offered by the current draft, however, seems to be rather limited by focusing on simply moving beyond a project-by-project basis. Considering the systemic nature of the FfD process in its recognition of structural and interconnected barriers to expanding fiscal and policy space and achieving sustainable development, we would expect such a systemic approach to infrastructure finance to also consider those dimensions. For instance, it would be important to consider infrastructure as key to strategies for socioeconomic transformation and a resilient recovery. This means stressing the importance of systemic solutions that address the barriers to domestic resource mobilisation by developing countries – including debt cancellation, international cooperation to address tax abuse, financial sector regulation and capital market controls. This would expand countries' fiscal and policy space to finance infrastructure projects and can in turn contribute to economic diversification and industrialisation, leading to less dependence on aid and commodity trade.

- Thinking about infrastructure investments through the lens of a sustainable and resilient recovery, might also entail considering types of infrastructure that actually serve to reduce countries' commodity dependence and promotes economic diversification and socio-economic transformation – see joint CSO report 'Reclaiming sustainable infrastructure as a public good', which suggests looking at infrastructure through the lens of four interconnected pillars: economic, governance, social and ecological. In this line, discussion of government responsibility in ensuring a long-term, strategic and systemic approach to infrastructure development would benefit from affirming the right of affected sectors (workers, peasants, Indigenous People, etc) to participate, if not significantly influence, such processes.

FDI and productive capacity

- In promoting more FDI, the section assumes it "naturally" embodies transfer of capital and could support technology transfers. The discussion would benefit from updated, more concrete analyses on investment quality—for instance, the UNCTAD in 2019 looked at special economic zones in the global South, which were marked by "hard to detect" benefits amid limited local spillovers and gaps in labor, social, and environmental standards.
- On pandemic lessons with regards to investment approaches, governments could benefit from long-term, cost-benefit analysis of global value chain (GVC) integration in relation to their productive capacity (given multinational companies capture of GVCs). Otherwise, focusing on "supply chain resilience" risks the re-consolidaton of unequal relations in world production. In healthcare system investment, the report's approach on attracting private investment should be counterposed with evidence on the extent to which private roles in healthcare align with the right to health.

Fostering an inclusive recovery

- The discussion on an "inclusive private sector" starts from the proposition that it is "good for the economy and businesses", but does not include human rights considerations, including women's rights, which are at the core of the SDG agenda. An "inclusive private sector" should not be merely about "integrating" women and informal workers, but should also confront substandard (or outright exploitative) conditions prevailing amid the pandemic (poverty wages, job insecurity, violations of union and bargaining rights, etc.).
- The focus on finance for Small and Medium Enterprises (SME), and financial inclusion for informal workers, would benefit from a more systemic analysis that looks at the uneven terrain especially in the global south, where the market power giant foreign firms tend to bar the growth of SME roles, outside their roles as appendages in multinational companies (MNC)-captured production networks.
- It is also essential to differentiate in terms of analysis and regulation between large-scale MNCs versus SMEs. In the area of opportunities, it is critical to consider the continued contribution of SMEs, micro-enterprises, and cooperatives in terms of a positive contribution to local livelihoods, diverse economies, decent employment and income generation to those often at the bottom of the income distribution.

Leveraging capital markets for sustainable development

- Trusting that private business actors will pave the way towards sustainable development is not smart policy, especially considering unsustainable business models are at the core of many challenges the SDGs respond to. Key risks include greenwashing and SDG-washing of business activities, natural resource governance and land ownership disputes, displacement and land-based violence, among others. In fact, one of the major challenges surrounding 'sustainable investing' remains the loose and voluntary nature of its regulations and definitions. The former chief investment officer for sustainable investing at BlackRock Inc., the world's biggest asset manager overseeing US$8.7 trillion, was recently unapologetic about the industry's contradictions: "In truth, sustainable investing boils down to little more than marketing hype, PR spin and disingenuous promises from the investment community. Existing mutual funds are cynically rebranded as 'green' — with no discernible change to the fund itself or its underlying strategies — simply for the sake of appearances and marketing purposes."
- It is welcome to see, however, the recognition that recent developments in the field of the financial sector are more complex than the headlines anticipate, as ESG investment strategies were not designed to go beyond financial returns" (p. 86-87). The options presented for policy makers to "increase the impact of sustainable investment practices" are a good basis for the discussion, but we call for more ambitious proposals with the view of regulating the financial sector.

III.C. International development cooperation

The FSDR offers an important opportunity for comprehensive review of the major trends in international development cooperation from ODA quality and quantity to the role of Multilateral development banks, blending, and climate finance. This year's report also provides insights on recent developments on South South Cooperation, new metrics to capture financing, including for international public goods. It further explores trends related to the impact of Covid 19 such as impacts on Countries' access to resources, namely graduation. Key messages and recommendations, which we welcome, offer a summary of this wealth of information. Within this broad picture, we would like to draw the attention to specific areas that require urgent action at the annual UN FFD Forum.

The international community, and donors more specifically, should urgently address the need for concessional finance to support the realization of the 2030 Agenda in Partners countries and then globally. The report timely highlights that there are no robust prospects for more ODA in 2021 as well as in the future despite some progress in 2020. The current uncertainty is fuelled by the lack of comprehensive data for 2021 at this stage, donors' frontloading of ODA commitments in 2020 at the peak of the first wave of the Covid 19 pandemic, and donors' decisions to review their previous policies in this area; the FSDR explicitly mentions UK's decision to cut ODA to 0,5% of GNI from 0,7% with a loss of about £7.1 billion.

The on-going Covid 19 crisis calls for enhanced access by Partner countries to concessional funding to support critical public goods such as access to health; the FSDR is testimony to countries' unequal access to treatment and prevention with only 12 % of people in LICs having received at least one vaccine dose. As the global community struggles to leave the Covid 19 pandemic behind another global crisis is pushing the realization of the 2030 Agenda further back, the conflict in Ukraine.

This is not time to falter. We strongly support the Report's call for DAC donors' to protect ODA budgets with new and additional resources. The funding gap for the ACT-Accelerator should be urgently met. LDCs should, in particular, have access to more grants, not loans. Also, donors should review the possibility of additional resources for IDA, as the largest multilateral source of concessional financing as the current replenishment levels are not meeting the demands. As new, additional resources are required to address standing and new challenges, we believe the UN community should discourage practices that may inflate ODA volumes unjustifiably such as using SDRs or reporting of donations of excess Covid 19 vaccine doses as aid.

Other areas require urgent action as highlighted in the 2022 FDRS, including:

- aligning official assistance and development cooperation with counties' priorities as only nationally owned development plans can offer the most consistent way to link up emergency responses to long term development goals. As the international community is set to review the effectiveness framework at the GPEDC summit in Dec 2022, the UN community should voice its priorities in this regard;

- policies on country access to concessional finance, or graduation, need to be reviewed to allow for required adjustments to match the magnitude of the global crises underway from climate change to global pandemic and geopolitical instability;

- support for efforts to develop new approaches to value South-South Cooperation led by the providers/recipients of this form of development cooperation;

- support for international public goods; in this regard, however, we noted, in a separate paper by the CS FFD group, our concerns over the revised notion of multilateralism that emerges from the "Our Common Agenda" report. Rather than reaffirming the role of inclusive member state led processes, the proposals made by the Secretary General (SG) rely on new multi-stakeholder approaches, termed 'networked multilateralism' in the report. This modality of operation undermines the United Nations' role in international decision-making as well as the related accountability and transparency that is central to its legitimacy. We call on the leadership from UN member states to reinforce existing member state led processes such as the FfD process rather than inventing new forums and summits that only delay decision-making.

- review blended finance policy in terms of consistency with the 2030 Agenda's pledge to Leaving no one behind.

III.D. International Trade as an Engine for Development

- We welcome the report raising the issue of vaccine inequality and access to technology. It acknowledges that "*policy actions are needed to address vaccine inequality and improve access to all countries to medical products and other technologies vital for combating the pandemic. Policy actions can help address supply chain barriers and enable trade of much-needed medical supplies, while they are also central for increasing the manufacturing capacity of countries and the transfer of technology and know-how. WTO members are encouraged to agree on ways to improve the WTO response to COVID-19, including trade policy-related aspects of the pandemic response and the proposal to waive specific provisions of the TRIPS Agreement*."

- Section 2.3 Trade policy responses to COVID-19: This section can include analysis by UNCTAD (Trade and Development Report 2021) that points out that "*the world needs more effective multilateral coordination, without which recovery efforts in advanced countries will damage development prospects in the South and amplify existing inequalities*". Developed countries were able to subsidise their pandemic management and recovery efforts massively while financial and policy constraints significantly tied the hands of developing countries from doing so. This means that trade policy support at the WTO and other fora must give higher priority and specific attention to their needs.

- Section 3.1 WTO Response to the pandemic: The section ignores the latest consolidated text by Amb. Walker (JOB/GC/281, November 22nd 2021) and bases it on an outdated text. It also fails to mention that developing countries (such as the group including Pakistan, South Africa, Sri Lanka, Egypt, Venezuela and others who proposed JOB/GC/278) have asked for critical issues such as intellectual property (beyond TRIPS Waiver), food security and economic resilience and recovery to be included in the pandemic response.

- Section 3.2 TRIPS Council negotiations: The section needs to point out the key issues at stake and the rationale behind the developing country demand for access to technology for Covid vaccines, diagnostics and therapeutics. It needs to include the recent developments of the apparent agreement between the US, EU, India and South Africa (Politico EU: Compromise reached on COVID-19 vaccine intellectual property rights waiver, March 15th 2022: https://twitter.com/ashleighfurlong/status/1503799100214583300)

- Section 3.3 Fisheries subsidies: The negotiations are facing major challenge in delivering on both parts of the SDG 14.6 mandate; first in terms of getting commitments from large subsidisers to cut their subsidies on large-scale and industrial fishing by allowing blanket exception under Art 5.1.1; and second, on delivering on special & differential treatment to developing countries for protecting their small-scale fishers. The text attempts to limit protection for small fishers in developing countries both by a geographical and time limit under Articles 3 and 4 and gives only minor concession to some countries (contributing less than 0.7% of global marine capture) under Article 5. It fails to take into account the size of fisher population in developing countries and the subsidy per fisher. Further, all technical assistance is voluntary. Without addressing these challenges, there may be an agreement which is counter-productive.

- Section 3.4 Agriculture: The first segment on key messages and recommendations suggests "advance multilateral policy coordination on … addressing food security through continuous agricultural market reforms..". But this recommendation is neither clear nor based on developing country demands on agricultural trade negotiations over the past decades. Para 3.4 places equal weight on domestic support, public stockholding, and market access, whereas the first two have been key demands of developing countries but market access is now pushed without addressing the imbalances and inequities aggravated by those two issues. The report also fails to mention that the long-mandated outcome on public stockholding has been consistently resisted by developed countries and in spite of proposals by the African Group and the G33, the Chair's Report (TN/AG/50) of 23rd November 2021, had pushed this issue out of the 12th Ministerial Conference, and onto the 13th Ministerial for a decision.

- Section 3.5 Special and Differential Treatment (SDT): The report recognises that "discussions among Members on SDT continue to be fundamentally divergent". However, notwithstanding the reaffirmation of SDT for developing country Members and LDCs as an integral part of the WTO and its agreements, this has seen continuous challenges by the US, EU and other developed countries to any meaningful SDT.

- Section 3.6 Ecommerce: This section fails to analyse the challenges to the regulatory space of developing countries being proposed in the current e-commerce negotiating texts. This is in addition to the challenges pose by a continuous and stark digital divide. Further, there is a need to include an estimate of losses in potential revenue from moratorium on duties on electronic transmissions, especially for developing countries. UNCTAD has documented this (https://unctad.org/news/should-digitally-delivered-products-be-exempted-customs-duties). This is an important issue for developing countries especially in the context of the negotiations over the WTO e-transactions moratorium.

- Section 4.1 Regional trade agreements: The report needs to add that several governments have also been rethinking about joining RTAs because of the challenges posed including the loss of tariff revenue, loss of policy space to design a trade policy to meet the needs of the economy during and after the pandemic but to cater to the needs of small producers, MSMEs, infant industries, and critical sectors such as health and medicines. For example, the Philippines Parliament recently failed to ratify the RCEP (India withdrew from this Agreement in 2019).

- Section 4.2 IIAs and ISDS: Will be good to include a list and some case studies of Covid related measures that were tageted by investors (e.g. in Peru and Chile). The issue of a global rethink around IIAs and their ability to limit regulatarory space can be enunciated more clearly. An analysis of the decline in the number of new IIAs (only 9 in 2020 if we take out the UK ones), rise in terminated IIAs (42), and the rise in ISDS cases can be included, which indicate how the rampant misuse of the ISDS provision by investors is leading to a complete policy rethink around such agreements. It may be noted that civil society organisations have since 2020 been demanding a moratorium on new investment treaties and in particular the inclusion and the use of ISDS.

- Section 5.1 Trade Facilitation Agreement: Along with the documentation of ratification and implementation of the TFA, there needs to be documentation and assessment of the financial and technical assistance promised and delivered to developing countries and LDCs. Research shows this has not been forthcoming.

III.E. Debt and Debt Sustainability

Overall Comments

- While the analytic parts of the chapter manage to capture the complexity and dire challenges of the debt context in global south countries, the report fails at matching the critical situation with adequate and ambitious proposals. As it already happened with the report in 2021, this year's FSDR offers again a *tone deaf approach to debt crisis resolution*, failing even to include the need for actual debt cancellation in order to tackle the debt distress in many countries.

- The proposals for advancing the debt policy agenda are utterly disappointing, as they barely include recommendations on debt crisis resolution, focusing instead on debt crisis prevention. Issues such as transparency, debt management, and responsible borrowing and lending, as important as they are, should be a part of a broader debt architecture reform, and not distract from the urgency for a fair, timely and comprehensive debt treatment that includes sufficient debt cancellation for all countries in need from all creditors.
- In front of the critical situation and urgency that the report describes, it proposes to support the recovery "while managing debt vulnerabilities". We understand that the aim should be at reducing or even eliminating these debt vulnerabilities. It is not just an issue of language, but a sign of the lack of ambition of the report.
- The urgency of improvements in debt crisis resolution, as well as prevention, has intensified not only for LDCs and other LICs, but also for MICs, more exposed to the volatility of financial markets and the risks of interest rates increases. As the report recognises, the "ability of these countries to refinance outstanding debt is coming into question", as it is the capacity to invest in public services, social protection, gender equality or climate resilience, and therefore to protect their citizens' rights. In this context, many middle-income countries, facing the same or even higher risks, are actually excluded from debt resolution initiatives like the Common Framework, the same as they have been excluded from the DSSI.
- The analysis in the report also fails at identifying the risks of increased private debt (mainly corporate debt) in global south countries, particularly in MICs, and the spillovers this could have in increasing sovereign debt further.

Debt crisis resolution

- The report presents the G20 Common Framework for debt treatments (CF) as the only game in town when it comes to debt crisis resolution. This is a mechanism that after more than 15 months has been unable to provide a single result. The report states that "the debt resolution architecture needs to be further improved", calling for enhancements of the CF, considered as a "stepping stone toward a more comprehensive solution to sovereign debt resolution challenges". While recognising that the CF is not a substitute of such a comprehensive debt resolution framework, the report fails at opening avenues for the ambitious structural reform that the critical debt situation would require, and merely focuses on elements of improvement for the CF.
- While recognising that the outlined improvements for the CF, in the lines of what the IMF and the World Bank had already proposed, could be beneficial for global south countries, we understand that these enhancements are still limited and unambitious.
    - On the provision of standstills for countries accessing CF, while a positive and necessary proposal, the DSSI experience throws doubts on the capacity to enforce private sector participation in such standstill. The only way to ensure a suspension on the payments is to effectively stop paying while protecting those countries that have the courage to do so, ensuring financing and legislation to protect them against uncollaborative creditors.
    - On clarifying how comparability of treatment can be effectively enforced on private creditors, for instance through implementation of the IMF arrears policies, again the IMF and G20 creditors should ensure that debtors have legislative protection and financial support to be able to default on recalcitrant creditors while debt cancellation and restructuring from other creditors should go ahead.
    - On expanding access to the CF to middle income countries, the report shyly points that it "should be strongly considered". We understand that the call for all countries facing debt vulnerabilities should be ensured equal treatment and access to debt relief, regardless of the income per capita average.

    - The CF still excludes the possibility of restructuring or cancelling multilateral debts, a crucial issue for some lower income countries and LDCs.

- On the need for a further debt architecture reform, civil society is clear that the path working towards a UN-led multilateral sovereign debt resolution mechanism that facilitates comprehensive, timely, transparent, durable, rules-based and fair debt solutions to all global south countries experiencing debt distress or the cumulative impacts of debt and other crises, including the climate emergency.

Debt crisis prevention and others

- As the report states, debt transparency "has received heightened attention in the context of the current crisis". However, most initiatives and proposals to improve debt transparency, including those covered by the report (IMF-World BankMPA, World Bank's SDFP and OECD DTI), focus on borrowing countries' efforts to improve transparency. Debt transparency should also be a commitment by creditor countries, institutions and private lenders. G7 countries have failed to meet their commitment made in June 2021 to publish their own "creditor portfolios on a loan-by-loan basis for future direct lending by the end of 2021". The IMF is untransparent when it comes to the surcharges it imposes to some countries. Transparency is also uneven among Paris Club lenders. And non-Paris Club lenders should also make an effort to improve transparency on their lending. As noted in the report, "greater efforts are needed to enhance transparency by creditors". In this sense, CSOs proposed already in 2019, "information on loans to governments, or with any form of government guarantee, should be disclosed via a global publicly-accessible registry within 30 days of contract signature, and should include: the value of the loan, fees, charges and interest, the law the debt is owed under, any available information on the use of proceeds and the payment schedule". All this information should be accessible in a public debt registry, created and housed in a permanent and independent institution.

- When addressing the need for responsible lending and borrowing, the report could also include the reference to the UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing (2012). These principles also point at the adequacy to promote sovereign debt audits in order to improve the debt management practices and ensure transparency and accountability in debt management. As CSOs, we reiterate the need for undertaking an official, comprehensive public debt audit to fully assess the extent and risks of debt burden and define a strategy based on the audit results that will lead to reduction of the debt burden.

- The report also fails in grasping and analysing the role and responsibilities of credit rating agencies in the generation and enhancement of debt vulnerabilities.

- While recognising that debt swaps "are not a means to restore debt sustainability in countries with solvency challenges", the report includes the promotion of the mechanism under the debt and debt sustainability chapter. When well designed, debt swaps can indeed create limited fiscal space for SDGs and climate investment. However, these instruments do not come without challenges, such as high transaction costs, that are totally ignored in the report. The report for instance mentions as an example the experience in France, which has been just the object of a very critical review and analysis by the French Platform on Debt and Development. The recent deal in Belize involving private creditors is also presented as a way to facilitate private creditor participation, also ignoring the challenges for debt sustainability and human rights that this case poses.

- On the issue of Multidimensional vulnerability and debt, we welcome that the report signals the need to advance on MVI, maybe not "as a complementary criterion to per capita income" but as a substitute for this rather arbitrary criterion, and also as a step towards a new approach to debt sustainability. The report states that DSAs have been updated to take disaster impacts into account. We understand that debt sustainability analyses, as used by the IMF and World Bank, are far from incorporating the climate challenges, not only as a risk of climate extreme events, but also considering the financing needs to invest in adaptation and mitigation. The report should be clear on the need to urgently promote an open review of the approach to debt sustainability, with UN guidance and civil society participation, in order to move towards a debt sustainability concept that has at its core environmental and climate vulnerabilities, together with human rights and other social, gender and development considerations. Debt sustainability evaluations must take into account a human-rights based approach and consider the capacity to meet the needs for inclusive and sustainable recovery from the effects of the pandemic, to meet the SDGs and tackle adaptation and mitigation imperatives brought by the climate emergency that the rich economies have generated. Debt cannot be considered sustainable if its payment prevents a country from affording climate resilience plans or investing on gender equality.

III.F. Addressing systemic issues

Special Drawing Rights

- It is laudable that the issue of SDR rechanneling has a prominent role in the report. However, the report should have acknowledged that the size of the allocation (worth US$ 650bn) was not based on a needs assessment but was rather politically determined, by the constraints in one single UN/IMF member state. CSOs have called for a SDR allocation worth 3 trillion. UNCTAD had called for a higher allocation than 650bn, too. Moreover, the actual SDR allocation happened 1.5 years after the crisis had started. It was a laudable policy action, but also a typical case of ´too little – too late´. From that, the report should have concluded that a **better way to decide** on size and timing of SDR allocation is needed if they are to play a more effective role in the GFSN.

- It is obvious that the lion's share of SDRs went to countries that need it least. If there is no substantial rechanneling, the majority of SDRs will lie idle in developed country central bank accounts. As this happened before, the IATF should have concluded that **a new allocation formula** is needed, detached from the IMF quota system, which is obviously not suitable for ensuring that new SDRs go to countries that need them most.

- On SDR rechannelling, we like to recall that CSOs have suggested a list of **SDR rechanneling principles** (link). They include that SDR rechannelling does not create new debts for recipient countries, and does not come with policy conditionality attached.

- The report could have also gone further and devote more space to discussing the **broader use of SDRs** in development and/or climate finance. Proposals have been made by both IMF and UN staff, as well as by member state governments such as recently Barbados at the COP in Glasgow.

Capital controls

The report acknowledges that we might see a period of more volatile capital flows and that developing countries might face outflows as developed country central banks raise interest rates and phase out quantitative easing programmes. In this context, it is welcome that the report included an assessment of the usefulness of "ex ante capital flow management measures". However, the report falls short of recognizing capital controls as a key policy tool in both ordinary and extraordinary circumstances, including for the prevention of debt and currency crises.

Given the dominant role of the US dollar in the international monetary system, as the reserve currency for payments as well as the primary currency of national debt holdings, the Federal Reserve's monetary policy tightening will increase the USD strength. This has the direct effect of increasing debt and import payments for developing countries and weakening national currencies. Those countries with liberalized capital accounts, large current account deficits, and high levels of external debt are most vulnerable (e.g., many so-called EMDE/Cs - Emerging Market Developing Economies/Countries such as, for example, Indonesia, Turkey, Brazil, and South Africa). Overall, developing countries as a whole will be affected due to their heavy reliance on dollar-denominated credit and increased financial dollarization over the last many years.

There are multidimensional adverse spill-over effects of the tightening of global monetary policy conditions (or the imminent interest rate hikes and tapering of quantitative easing by the US Federal Reserve):

- Higher interest rates and a strengthened dollar will lead to capital outflows to US equity and currency safe havens, prompting a run on the domestic currency, and possible currency crises in developing countries. Currency depreciation decreases the value of developing country assets in dollar terms, which may lead to distress sales of funds. A vicious cycle takes place between outflows, currency depreciations and asset and currency sell-offs;

- Meanwhile, dollar denominated payments become more costly, namely that of debt and interest payments as well as import payments, while the cost of external borrowing increases with higher interest rates. Meanwhile, foreign exchange reserves are negatively affected.

- A significant adverse impact of debt distress is the turn to fiscal consolidation or fiscal austerity measures whereby governments cut spending on public services including healthcare and education while resorting to regressive taxation such as Value Added Taxes and General Sales Taxes. Economic and social rights are violated, women and girls are disproportionately affected, structural and intersectional inequalities and poverty levels are exacerbated, informal and rights-violating work increases, unpaid care work and time poverty results in an endemic crisis of gendered austerity where women and girls not only absorb the shocks of austerity but also compensate for the failed delivery of public services by the state.

- Higher interest rates increase borrowing costs, dampening investments in the real economy as well as household spending. Domestic private sector and employment are hurt, and incomes and spending are squeezed, resulting in a downward spiral or vicious cycle.

- The monetary policy 'bind' for developing country central banks is also critical to consider. If interest rates are loosened, capital outflows and domestic currency depreciations will ensue. If interest rates are tightened, fragile domestic economic recoveries can be derailed in developing countries (in that higher interest rates would make access to credit more expensive for domestic borrowers).

Only those developing countries that actively manage capital accounts can pursue some degree of monetary autonomy and stave off capital outflows, currency depreciations and crises. In the absence of international policy cooperation, developing country policymakers must make full use of the available policy levers. Unfortunately, the IMF's approach to capital controls has not altered since the 2012 Institutional View, which was a significant evolution the Fund's previous rejection of the use of any capital account regulations. However, the Institutional View validates capital controls in highly specific settings, as temporary instruments embedded in an overall strategy of financial liberalisation that should be adopted only under specific circumstances.

The October 2021 Global Financial Stability Report of the IMF notes that capital account regulations "may be useful…in some circumstances in countries with balance sheet vulnerabilities and market frictions," to respond to the likely tightening of external financial conditions. However, this is far from a concrete recognition that capital account regulations are useful to avoid or curb the negative impacts of capital inflows on financial stability and macroeconomic policy autonomy. Furthermore, a set of common rules for all countries is problematic, as it disregards many macroeconomic and institutional country specificities.

During its March 2022 review (later this month) of the IMF's Institutional View on capital account regulations, the IMF must revise, in good faith, its position. Capital account regulations must be recognized as an essential and permanent part of the macroeconomic policy toolkit of developing countries, especially when they face the threat of capital outflows in sudden stops when global monetary conditions tighten. The significant shortcomings of its current approach need to be addressed in order to allow states the policy autonomy needed to prevent future debt crises.

Capital flow volatility must be regulated not only on capital outflows but also inflows, in a countercyclical manner, in order to (a) curb exchange rate volatility, (b) reduce the volume of speculative portfolio investments, or (c) to change the composition of foreign capital toward less volatile modalities, depending on each country's external constraints (i.e., the need for foreign currency to pay for imports and other external obligations, such as the external debt service).

The inherent volatility of such investments has increased during COVID-19 and this tends not only to create balance-sheet vulnerabilities, as the IMF stresses, but also exchange rate and speculative risk challenges that undermine developing country abilities to recover from the pandemic, achieve the 2030 Agenda and fulfil related international human rights obligations.

Financial regulation

It is appreciated that the report exposes the need to addressing the growing risks in the non-bank financial intermediation sector. Indeed, the reform of the less regulated non-bank financial intermediaries is urgent, as the turmoil and monetary bail-out of the financial market in March 2020 has shown. However, the report's recommendations could be strengthened by proposing the following additional actions:

- Reversing the flexibilities, weakening and postponing of the regulatory reforms in the wake of COVID-19 crisis;
- Prohibiting the excessive use of derivatives (credit default swaps, foreign currency hedging, etc.) and lending shares to speculators (e.g., for shorting) by investment funds, to limit spill-over effects and other non-banking financial institutions (NBFIs);
- Encouraging longer term investments by prohibiting very short-term withdrawal from investment funds and by institutional investors;
- Limiting the size of NBFIs (avoiding systemic risks) and increase their capital buffers. This should result in limiting the global dominance of one or a few institutional asset managers over company shareholdings worldwide;
- Compelling all non-listed institutional investors to publicly report annual accounts, investment strategies and ownerships;
- Preventing excessive indebtedness through fixed income investment asset managers, who refuse to provide debt restructuring and debt relief while having received high coupons for high-risk bonds.

Sustainable finance: beyond climate risks for the financial system

Regarding sustainable finance, the report remains too framed by the climate risks for the financial system and would need to broaden its scope along the following lines:

- All financial reporting requirements should cover climate related and ESG impacts ("double materiality") so as to assess the long-term impacts which will become financial (credit, market, operational, transition, liability) risks, namely the interconnected impacts of climate change, environmental emergencies, social problems and disrespect of human rights.
- Identify climate and ESG related damaging activities, including through a 'harmful taxonomy', in order to easily identify potential stranded assets to be phased out through regulation, rather than complicated scenario tools.
- Impose stricter binding regulations to orient capital towards climate mitigation goals and SDGs, including higher capital requirements for climate changing and ESG harmful activities (not automatic lower capital requirements for sustainable activities). Voluntary measures and pledges by the financial industry are shown not to match the environmental and social emergencies and lack credibility.

FinTech

It is welcome that the report advocates better and urgently needed swifter regulation of the fintech under the principle "same activity, same risk, same rules" or activity-based rules. Also, the recommendation for better (international) coordination with other non-financial supervisors who deal with other activities, e.g., big tech, companies using embedded fintech, and other recommendations to prevent financial instability. In addition to strengthen the expertise and capacity of supervisors and regulators, regulations should be strengthened to:

- Protect consumers from unwarranted and undue marketing of (interconnected) services and products (resulting in debt., etc.), fraudulent offers, cyber criminality, biased algorithms, and misuse of personal data, as well as digital inequality;

- Prevent excessive profit making by owners and investors in fintech;

- Prevent the use of climate changing energy for useless online financial activities, including speculative crypto currencies, and reduce and prevent e-waste;

- Address risks from gamification, excessive use of algorithms and artificial intelligence in investment strategies. These trends are also contrary to promoting sustainable finance that requires scrutinising investments for positive impacts; and,

- Sufficiently tax all digital transactions and crypto currencies and preventing illicit financial flows resulting from these activities.

Biannual summit of ECOSOC and G20

As expressed in our position paper on "Our Common Agenda", we are deeply concerned with this proposal. The UN should not promote proposals that privilege a handful of Member States. We rather see the Financing for Development process strengthened, as an inclusive process with universal membership.

Furthermore, civil society critique on the UN Secretary-General's Our Common Agenda intends to ensure that private actors are not given an equal voice and participatory position as nation states. The UN Charter is clear that the UN is an intergovernmental institutional and its purpose is to provide a space for universal participation, by way of one nation, one vote, and to facilitate space and opportunity for the voices of nations who are less powerful to be heard by all nations, and to exercise agency in international decision-making, particularly in global economic governance and the making of international norms.

Global Economic Governance

The report acknowledges that "in recent years, there was no significant progress in strengthening the voice and participation of developing countries in international standard-setting bodies". However, few recommendations follow, basically just to use capital increases to revisit the allocation of voting rights. CSOs are fundamentally critical of governance structures that are determined by capital contributions or other economic factors. The FSD report should rather advocate democratization of global economic governance, including the reaffirmation of the 'one country one vote' principle that is embodied in the UN foundational principles.

III G. Science, technology, innovation and capacity building

- The draft report recognizes that the COVID-19 pandemic has deepened the digital divide and exacerbated the risk of digital exclusion. Digital technologies are recognized not just as enablers of the SDGs, but as harbingers of a foundational shift in the global economic order, affecting every aspect of the SDGs and AAAA. The document rightly underscores how Agenda 2030 cannot be realised without addressing the digitalization and datafication of value chains (as new systemic issues giving rise to inter-country and intra-country inequalities). A just and inclusive digital transition needs to be a critical action agenda.

- Regulatory frameworks at the national level are not only needed for curbing market power and individual/collective harm and violation of human rights in cross-border data flows and new network-data business models. They are also needed to preserve infrastructural sovereignty for the people of the Global South by guaranteeing their right to autonomous platform, data, AI infrastructure development. Most importantly, all answers cannot be found in regulation. New digital era Industrial Policy frameworks and economic strategy roadmaps – like digital industrialisation roadmaps and public data infrastructure strategies and digital public goods development plans – are needed.

- **A public-private Global Digital Compact may produce soft norms on data and AI governance, but not a binding global data governance framework that brings together non-economic/human**

rights/ethics aspects and economic aspects together in the governance of data resources. Without binding norms and clear institutional mechanisms to preserve the integrated and indivisible agenda of human rights in data and AI governance (which includes economic justice), we will only end up with the democratic deficits that have traditionally plagued digital governance – where the multi-stakeholder policy dialogue model attempted in the post-WSIS, Internet Governance Forum has not only failed to produce binding policy outcomes, but also facilitated 'forum-shopping'. Powerful countries in the digital economy and their digital TNC lobbies have transplanted data governance norms to other policy forums that are more amenable to their interests. For eg. data governance is getting reduced to a trade issue, a move that UNCTAD has also critiqued in its Digital Economy Report 2021.

- **The absence of a global data governance framework** should not lead to a situation where dominant countries in the digital economy are able to impose their digital and data standards on the rest of the world, especially countries that are 'AI economy laggards'. [EU adequacy clause for eg. can act as a trade barrier, but the irony is EU PDP is itself inadequate to fully address privacy harms as experience of GDPR implementation reveals – the EU binary of PD/NPD is not robust enough to address privacy risks for individuals in downstream processing of anonymised and non-personal data; and group profiling]

- Sector-specific data regulation at the national level, in compliance with a human rights-based global data governance framework that is overarching, is essential to address the human rights violations stemming from digital financial services, especially in the case of cross-border services. **The proposed Global Digital Compact will not produce these binding institutional regulatory frames.**

- As the informal IATT working paper that takes stock and draws lessons from the start-up phase of the UN Technology Facilitation Mechanism (TFM) from 2015 to 2019 has highlighted, "**The TFM remains an almost entirely unfunded General Assembly mandate within UN Secretariat. This is greatly at odds with the rising expectations for the TFM to facilitate STI for the SDGs worldwide**. One important practical step would be to formally integrate the TFM work into the work programmes of all IATT members and thus to ensure adequate funding, in line with the joint Statement of several heads of UN system organizations in support of the TFM at the time of the Addis Ababa Agenda and 2030 Agenda negotiations in 2015"

- To prevent market abuse in digital financial services, it is not enough to address cyber fraud and strengthen consumer protection. The hyper liberalisation of e-commerce in services (as pushed by the e-commerce JSI/ plurilateral) needs to be challenged. Developing countries must be able to preserve their policy space to determine terms of market access for digital financial service providers, (and relatedly, terms of localisation of data) and also set algorithmic accountability standards for such service providers to enable effective public scrutiny for privacy protection, competition law and consumer protection.

- **Substituting public financing/ traditional North-South development cooperation with global/regional initiatives led by non-state actors for the creation of digital public goods is not the right solution to preserve the idea of rights-based development.** Digital public goods nowadays underpin the foundational platform, data and AI infrastructures in all socio-economic sectors. Private players who build innovations on top of digital public goods are in the unique position of being able to unilaterally determine techno-governance standards for these building blocks of digital infrastructures. They can then leverage these infrastructures and capture markets for downstream innovations. The preservation of human rights and public interest in standards-setting will continue to be missed. For eg. without public financing for the creation of digital innovations, multistakeholder communities could freeride on top of global digital public good ecosystems. Think of how MOSIP – a modular building block for digital ID – has served the purpose of the ID companies Thales and Idemia in making in-roads into Africa but has not produced a human rights-compliant digital ID infrastructure for the citizens of these countries. **If public financing is replaced through multistakeholder financing models, the already existing governance deficit in digital public goods is only going to be aggravated. Global digital and data governance needs new norms, as mentioned above.**