Presentation notes for PSI strategy meeting

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Basic Introduction

- Full and complete SDG potential is that it is a PARADIGM (and arguably, consciousness) SHIFT for global development – but this is only possible if it can mobilises the international community to commit to an agenda for meaningful transformation on structural, institutional and normative levels.

- This means addressing the international political economy environment, including the global financial and trade systems, as well as revive a focus on the developmental role of the state in the social contract to provide basic needs, health and education, social protection floor, contain income inequality, decent work, and so on.

- A genuine global development framework should be called upon to address structural macro-policy design and frameworks that are the systemic drivers of inequality among nations, poverty, under and unemployment, and violations of economic and social rights: austerity programs (paradox of SD in context of social service and social contractretrenchment), privatiztion MFD agenda of WB, increasing trade protectionism, and of course, stark reality of climate change/IPCC latest report.

Some elements and principles for the Post-2015 development agenda

- There are several principles that are the foundation of the SDGs and which should also compose the narrative basis for advocacy. Five such elements or principles include (but are not limited to): (i) enhanced international cooperation, (ii) the Rio principle of common but differentiated responsibility, (iii) policy space and (iv) global financial governance reform.

- --1—If SDGs is truly going to be universal, then the **principle of international cooperation** is crucial:

  (1) Corresponding actions of developed countries that support (and are not a barrier to) developing countries' efforts;

  (2) Actions at the level of the international economic, financial, trade, technology and social systems, to support and enable developing countries' actions/efforts; and,

  (3) Provision of finance and technology

- --2-- The Rio principle of **common but differentiated responsibility** (CBDR) constitutes one of the foundations of sustainable development, and highlights equity between varying levels of development and capacity.

  - It distinguishes the obligations of developing countries from that of developed countries, and requires the donor community to honour its international commitments, especially those related to financial resources, technology transfer and capacity.

  - It also requires the donor community to refrain from placing any additional restrictions or burdens on developing countries.

- --3-- **Policy space, and policy coherence (between SDGs and policies and programmes of IFIs/WTO/FTAs/BITs/IOs)** is imperative for developing countries to build new and more inclusive development pathways, particularly in the context of asymmetrical levels of development, as well as differing levels and capacities in infrastructure, industrialisation, technology and productivity among countries.

- --4-- Reforming persistent **democratic deficits in global economic and financial governance**

  - Indeed, various international institutions, including the Group of 20 (G20) and the Organisation for Economic Cooperation and Development (OECD) have consistently pointed to the *incoherence between the significant shifts in the global economic geography and the decision-making structures that govern financial relations and rules.*

  - IMF, WB, WTO, bilateral turn because multilateralism gets in the way of imposing imperialism…

Central ethos across all policy regimes in trade and finance: inequality as a core issue, both within nations and among nations.

Addressing systemic inequality calls for reversing the persistent decline of the share of labour in aggregate national income in most countries over the last three decades.

Establishing a level playing field between labour and capit*al* can be achieved through various means, including through, among others:

(i) wage-led growth,

(ii) Correlation between inequality and the skyrocketing size of the financial sector → calls for closer examination and continuing campaign advocacy for: regulation of international financial markets and capital movements, (pension funds pooled into infrastructure funds, which have become asset classes in the derivatives trade of financial market)

(iii) tax justice: SDG Target 16.4:

This calls for breaking the dominance of finance and corporate interests in the formulation of policies and operations in global markets.

No single country alone can do this – it should be pursued collectively at the global level → the common canopy of corporate-led globalization

"Mobilizing Domestic Resources" agenda (morphed from : Requires Tax Justice, addressing IFFs through global tax cooperation (sustaining the 2015 campaign call for a UN global tax body)

- Illicit financial flows are highlighted in the 2030 Agenda on Sustainable Development Goals in target 16.4 where states pledge to significantly reduce illicit financial flows by 2030 and in several paragraphs in the Addis Ababa outcome document from the 3rd Financing for Development Conference in Addis Ababa in 2015, notably Paragraph 23 where States have declared they will "redouble efforts to substantially reduce illicit financial flows by 2030, with a view to eventually eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation."

- The challenge posed by illicit financial flows to domestic resource mobilization to achieve the SDGs, and to the imperative of national public financial resources for national development needs is monumental:

- The annual reports of Global Financial Integrity, published between 2015 and 2017, estimate that the developing world as a whole lost approximately $7.8 trillion in illicit financial flows during the 10-year-period from 2004 to 2013.

- Since 2011, such flows have surpassed US $1 trillion per annum and in 2013 reached a new peak of over $1 trillion per annum.

- Approximately 87 percent of all illicit flows are related to cross-border transfer pricing, which takes place largely in transnational corporations.

- As of 2013, UNCTAD estimates that 80 percent of global trade takes place in value chains linked to transnational corporations.[1]

- The 2015 report of the High Level Panel on IFFs from Africa underscores that the African continent is losing more than $50 billion of domestic revenue per year through illicit financial outflows, which increased from about $20 billion in 2001 to $60 billion in 2010.[2]

Impacts of IFFs/tax injustice on SDG achievement, global inequality and human rights from a right to development perspective *→ which needs to be incorporated into South-South Cooperation in the arena of illicit financial flows and global tax cooperation:*

- *First*, illicit financial flows constrain developing countries from being able to mobilise significant public financial resources required for inclusive and equitable social and economic development. This challenge is even more serious for LDCs. This is a central constraint to the achievement of SDG target 17.1 which calls for strengthening domestic resource mobilisation.

- *Second*, IFFs constitute a transfer of development finance resources from developing countries to developed countries and consequently exacerbate inequalities between countries, negatively impacting the prospects of SDG 10 to reduce inequality within and among countries.

- *Third*, the loss of potential public funds through IFFs and the consequent reductions in public sector investments as well as the amplification of foreign debt burdens reduce and impair the capacity of the state to invest in social sectors vital to sustainable development, particularly health and education.

- Empirical data collated by Tax Justice Network between 2001 and 2011 reveals that 39 African countries experienced tax evasion amounting to approximately 93%

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1 UNCTAD, "Global Value Chains and Development: Investment and Value Added Trade in
2 African Union and Economic Commission for Africa, Report of the High Level Panel on Illicit Financial Flows from Africa, Addis Ababa, 2 June 2017, available at: https://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf, p. 64.

percent of national healthcare spending, and 12 Latin American countries lost tax revenue equivalent to approximately 138.5 percent of national healthcare spending.[3]

Means of Implementation—technology and financial resources

- Equity on a global level, in the context of the reality of centuries of colonial colonialism followed by the last many decades of structural adjustment policies → MOI means that historical equity is to be demonstrated through the provision of financial, technological and capacity building means by which developing countries can achieve the SDGs, as well as policy reforms to trade, finance and systemic issues.

- In other words, the ambition of the goals themselves needs to be matched by the ambition in the means to achieve the goals. In light of how the MDG donor-recipient colonial agenda failed to address a genuine global partnership for development, developing countries sought to ensure two key stipulations through the MOI.

- *First*, the SDGs should not place additional restrictions, conditions and financial burdens on developing countries.

- *Second*, the SDGs should require the donor community to honor its international commitments, especially those related to financial resources, technology transfer and capacity.
- The 17th goal on MOI in the SDG framework reflects developing country language and content in its key targets. One of the most significant proposals was the G77 and China's position on addressing sovereign debt through policy initiatives such as "debt financing, debt relief and debt restructuring."[4] This language is incorporated into target 17.4.

- The salience of MOI to developing countries is rooted in the idea (or principle) of a 'global partnership for development,' which embodies the principle of North-South cooperation in order to create an enabling international environment for development. Such an environment necessitates policy reforms in systemic issues such as trade, debt, technological development, reform of the international financial system and global economic governance.

- International civil society from developing countries as well as the women's rights movements played a pivotal role in the creation of the MOI goal. Non-governmental organizations (NGOs), many although not all of which were organized through the

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3 United Kingdom Parliament, Written evidence submitted by the International Secretariat of the Tax Justice Network, 30 January 2012, available at: https://publications.parliament.uk/pa/cm201012/cmselect/cmintdev/writev/1821/1821.pdf, p. 20; Tax Justice Network, "The Cost of Tax Abuse: A Briefing Paper on the Cost of Tax Evasion Worldwide", London and Kenya, 23 November 2011, available at: http://www.tackletaxhavens.com/Cost_of_Tax_Abuse_TJN%20Research_23rd_Nov_2011.pdf, p. 5, https://www.taxjustice.net/wp-content/uploads/2014/04/Cost-of-Tax-Abuse-TJN-2011.pdf, p.3.

4 Internal document, "G77 and China Positions on Means of Implementation for the SDGs," used in the Open Working Group process on the Sustainable Development Goals, January 2014, United Nations, New York.

thematic Major Groups process that facilitated involvement in the official negotiations process, carried out a range of advocacy strategies. This included the delivery of interventions and joint statements during the negotiations, the organization of side events with panel presentations and interactive discussion with member states, the generation of sign-on statements and petitions, publication of articles, reports and briefing papers, strategy workshops among civil society to build awareness and advocacy momentum and bilateral advocacy with member states.

- The Women's Major Group called for a structural transformation to international sustainable development involving reforms to global finance and trade policies "firmly rooted in human rights obligations and the principle of common but differentiated responsibilities…"[5] Civil society from developing countries, such as the Arab NGO Network for Development and Third World Network, advocated that a credible SDG framework requires reform of inequities in global financial and trade policies.[6] The UN Non-Governmental Liaison Service (UN-NGLS) produced recommendations on MOI compiled from a series of international civil society consultations in 2013 which included, for example, reforms to the international financial, tax, trade and investment architecture and the adoption of strong safeguards in the implementation of public-private partnerships.[7]

Goal 9 - Inclusive and sustainable industrialization

- Inclusive and sustainable industrialization was established as the second target of the ninth SDG goal as a result of the consistent position of African member states that called for economic diversification and structural transformation in the African region.[8] African members of the OWG (Benin, Democratic Republic of Congo, Ghana, Kenya, Tanzania, Zambia and Zimbabwe) pursued the incorporation of industrial development as a global norm in the SDGs by arguing that generating inclusive, sustained and sustainable economic growth, productive employment and decent work and poverty alleviation required value-added industrialization.

- Least Developed Countries (the UN's 2011 Istanbul Programme of Action) and the African Region (African Union's 2015 Agenda 2063: The Africa We Want). However, the advent of industrial development as an SDG is a noteworthy shift in the

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[5] "The Women Major Group's vision and priorities for the Sustainable Development Goals," March 2014, see: https://sustainabledevelopment.un.org/content/documents/3467SD2015%20Position%20Paper_Womens%20MG_v1_March%202014.pdf.

[6] See: http://www.twn.my/title2/unsd/2013/unsd131103.htm.

[7] See: https://sustainabledevelopment.un.org/index.php?page=view&type=9502&menu=1565&nr=10.

[8] Fourth session of the Open Working Group on Sustainable Development Goals, June 17-19, 2013, see: https://sustainabledevelopment.un.org/owg4.html.

normative acknowledgement granted to a topic that has long been seen as either taboo, technical or associated with the lack of a sustainable development ethos.

- 3 key points: FIRST, the history of development demonstrates that no country has developed without significant advances in industrialization and productivity, driven by managed investment (both foreign and domestic) and technological innovation and development.

- SECOND point emphasizes the need for policy space at the national level, referred to how *the state has historically played a proactive role by nurturing enterprises, encouraging technological upgrading, strengthening capabilities and skills, removing infrastructural bottlenecks to growth, reforming agriculture and providing finance*. And THIRD point is the reality that a mimicry of the industrialization pathways of industrialized countries is not sustainably feasible (given the carbon emissions and ecological plunder of industrialization), will keep perpetuating social injustice: thus the terms "sustainable and inclusive" industrialization.

- African countries stressed the need for North-South cooperation in supporting their industrialization pathways, in that if sustainable development is to forge an international compact, the development challenge posed by the lack of economic diversification in the African region must be addressed by conducive global trade and macroeconomic policies.

- multiplication effect in creating jobs, in that one job in manufacturing creates 2.2 jobs in other sectors.

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Goal 10 - Inequality within and between nations

- A deep struggle to include this in SDG, along with MOI and industrialization and SRHR: It's NEW: there was no meaningful inclusion of inequality in 1992 Agenda 21 and the 2012 Future We Want

- The macro level of inequality requires addressing systemic institutions and practices, such as global financial markets and international policymaking organizations.

- Consequently, there are four targets (10.5, 10.6, 10.a and 10.b) that address drivers of inequality on the global scale. The first two targets address global financial market regulation and implementation and on ensuring enhanced representation and voice for developing countries in decision-making that takes place in international organizations.

- Inequality between countries: Illicit financial flows, and in particular transfer mispricing practices that reduce corporate tax payments to developing countries, debt crises and burdens in developing countries that direct public revenue to international debt and interest payments rather than to national development needs and trade liberalization measures that reduce the competitiveness, and revenue generation, of developing country goods. For example, the Civil Society Financing for Development (FfD) Group underscored that "poorly managed private international capital flows can lead to increased inequality and adverse impact for the poorest by increasing macroeconomic risks in developing countries."[9] Due to the myriad ways in which inequality between countries at different levels of development is created, the ethos of global inequality was difficult to negotiate on in the OWG, and even more challenging to encapsulate within the limited number of targets within the goal.

- Civil society engaged in the OWG process were committed to highlighting inequality in all its forms, including gender inequality, extreme inequality within countries, inequality of social, economic and cultural rights and the discrimination of certain groups such as the disabled, elderly and LGBTQI. At the same time, the civil society coalitions organized into Major Groups (e.g. coalitions of NGOs in women's rights, trade unions and worker's rights, youth advocates, and so on) did propose that SDG 9 include a specific target to establish measures of inequality among countries. Although this proposal was ultimately unsuccessful, the momentum on inequality was maintained by various organizations, including Centre for Global Development, Save the Children UK, Oxfam International and Center for Economic and Social Rights, among others, who produced analytical reports, policy briefs and organized discussion sessions between leading policy analysts and member states. Oxfam's seminal report, "Even it Up: Time to end extreme inequality" hit a moral nerve by demonstrating that the richest 85 people across the globe share a combined wealth equivalent to that of the poorest 3.5 billion of the world's population, who have seen no increase in their wealth. Through the inequality goal in the SDG framework the moral ethos or principle assigned to equity has been activated (through its lack) as a global goal to be acted on.

[9] Civil Society Financing for Development (FfD) Group, "CSO Collective Assessment of FfD Zero Draft," 2015, see: https://csoforffd.files.wordpress.com/2015/04/ffd-zd-cso-analysis-recomm-13-apr-15.pdf.

Development strategies and constraints in the international environment

- The developmental role of the state is vital, meaning that the state needs to play a pro-active developmental role in building institutions, in the governance of the economy, the regulation of the market and in ensuring that economic growth creates decent work and protects livelihoods for people.

- Public-private partnerships (PPPs), *are being championed in various fora, including the Post-2015 development agenda.*
    - ▪
    - *They are being upheld as a central mechanism to carry out infrastructure, development and public services projects,* especially *in the reality of fiscal consolidation, declines in sustained and predictable aid flows and overall credit contraction in bank lending.*
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    - *However, the demonstrated track record of Public Private Partnerships in developing countries have raised several concerns and risks for* development, equity, affodability, governance, accountability and the developmental role of the state, for example.

The international financial and trade architecture poses various structural challenges to a transformative agenda for Post-2015

Four key areas that can be highlighted are:

(i) the proliferation of ***bilateral and regional trade and investment agreements***,

(ii) ***austerity conditionalities***, and austerity policies overall even in countries that have zero programs/loans with IMF → reputation effect, signaling power of deficit and inflation suppression to the international financial markets and credit markets (in that developing countries follow austerity simply to stay good in the credit markets and be able to borrow money access money at scale and with reasonable interest rates),

(iii) the lack of ***sovereign debt resolution mechanisms*** (and growing private sector debt), and

(iv) ***financial deregulation, food and commodity price speculation, and its particular impact on food security*** including from the WTO policies that threaten food stockholding and safeguarding of a minimum price support for small farmers.

[1]:

- o There are currently approximately 3,000 bilateral investment treaties signed between pairs of governments. The investment chapter within these treaties legally prevent or punish the state from implementing, for example, national health, safety, environmental and developmental measures.
- o → ISDS, performance requirements, CC, etc.

[2]

- o Development-oriented macro-economic policies are inhibited by ***contractionary loan conditions and policy advice*** attached to financing and surveillance reports from the IMF as well as from many aid donors. These conditions include typical austerity policies such as budget deficit reductions and inflation targetting.

  According to research documented in a paper titled "*The Age of Austerity – A Review of Public Expenditures and Adjustment Measures in 181 Countries*," published by the Initiative for Policy Dialogue at Columbia University, 119 countries will be cutting public spending in 2013, increasing to 131 countries in 2014 and the trend will continue at least until 2016. In terms of population, austerity will affect 5.8 billion people or 80% of the global population in 2013; increasing to 6.3 billion or 90% of persons worldwide by 2015.

  There is a ***problematic paradox*** between the endeavors of the international development community to formulate a Post-2015 global development agenda and the global consensus on austerity.

  The international community must ask exactly how global development, and specifically economic and social rights of people (such as access to essential social services, nutrition and food, and livelihoods) is going to be pursued in a global context of public spending cuts, economic contraction and regressive tax policies that reinforce socioeconomic inequalities?

- A proven alternative approach to austerity is that of ***wage-led growth***, where real wage growth creates space for domestic demand and productivity, employment creation, especially in light of high youth unemployment today, and more equal growth strategies compared to the current export-led growth model.

- Economic and social rights-based approach to formulating macroeconomic policies: so that fiscal and monetary policies are not designed with only macroeconomic indicators, such as deficits and inflation, in mind.
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- Alongside alternative development models is the global attention placed on reformulating how development and growth are assessed. The *Stiglitz-Sen-Fitoussi Commission Report* in 2009 called for integrating criteria such as: (i) distributional assessment of income, (ii) consumption and wealth, (iii) a multidimensional measurement of the quality of life, and (iv) environmental sustainability.

- *In brief conclusion*,

This is an exciting time for the international community.

Collective action and the best of both political will and action must be put to the test in the short time remaining till the 2015 deadline.

There is a critical opportunity to evolve the MDG framework into something bolder and deeper, upon which future generations of both people and planet can rely on.

Annex of systemic economic and trade reforms for the Post-2015 development agenda

[This is the TWN advocacy platform built in 2012-2013 and carried out among UN member states and civil society globally from 2013-2015]

Systemic reforms in global finance and multilateral trade regimes

Adequate policy space and a development-friendly global economic environment call for action at the international level on several fronts:

(1) Review *multilateral rules and agreements, as well as macroeconomic policy advice and loan conditions* for the objective of improving the policy space for developing countries to pursue economic and social development. This includes the ability of developing countries to pursue fiscal and monetary policies for the objectives of employment creation, investment in social sectors and domestic infrastructure, and ensuring access to domestic credit and financing.

(2) Review the international *intellectual property rights regime* for the objective of facilitating technology transfer and improving health and education standards and food security in developing countries.

(3) Industrial, macroeconomic and financial policies of developing countries are severely constrained by *Bilateral Investment Treaties and Free Trade Agreements* signed with developed countries. These agreements are designed on the basis of a corporate perspective rather than a development perspective, and they give excessive leverage to foreign investors and firms, with harmful effects in developing countries. They need to be revised.

(4) Establish impartial and orderly workout procedures for *international sovereign debt* to prevent debt crises in developing countries. This includes the ability to call for a standstill on debt payments and to restructure, roll-over or swap sovereign debt through equitable burden-sharing between creditors and debtor, without the threat of the state being litigated against in court by creditors.

(5) *Full employment* should be declared as a global objective, to be pursued by all countries without resort to beggar-my-neighbour exchange rate, trade and labour-market policies.

(6) Reversal of the universal trend of growing *income inequality* calls for reversing the persistent decline in the share of labour in income in most countries over the last 3 decades. This can be pursued through various means to establish a level playing field between labour and capital, including greater international mobility of labour, regulation of international financial markets and capital movements, more equitable taxation of wage income and incomes from capital and financial assets, and prevention of tax competition. This calls for breaking the dominance of finance and corporate interests in the formulation of policies and operation of the global markets. No single country alone can do this – it should be pursued collectively at the global level.

Importantly, a priority on redressing socioeconomic inequality, economic recession and chronic unemployment, especially of youth, calls for a renewed consideration of an economic development model premised on wage-led growth. Wage-led growth is where real wage growth leads to increased domestic demand, productivity and technological progress and thereby provides the foundation for sustainable development.

(7) *Regulate systemically important financial institutions and markets*, including international banks and rating agencies and markets for commodity derivatives in order to reduce international financial instability and instability of commodity prices. Regulation of speculative financial trading in the prices of basic food commodities, such as wheat, maize and soya, for example, is critical to ensure food security on local, national and regional levels.

(8) Remove terms unfavourable to commodity-dependent developing countries in *contracts with transnational corporations* to enable these countries to add more value to commodities and obtain more revenues from commodity-related activities.

(9) Establish and effectively implement a legally binding *multilateral code of conduct for transnational corporations* to secure social responsibility and accountability and prevent restrictive business practices.

(10) Introduce *multilateral mechanisms to discipline policies in developed countries to prevent adverse consequences* for and spillovers to developing countries, including agricultural subsidies, restrictions over labour movements and transfer of technology, and beggar-my-neighbour monetary and exchange rates policies.

(11) Establish mechanisms to bring greater stability to *exchange rates* of reserve currencies and prevent competitive devaluations and currency wars, such as those seen during the current crisis.

(12) Compensate costs inflicted on developing countries by global environmental deterioration and *climate change*. This involves securing a fair and equitable allocation of usable *carbon space* between developed and developing countries, taking into account cumulative contributions of developed countries to atmospheric pollution. Developing countries should not incur additional costs to accommodate the tightened carbon space constraints such as those involved in developing and using cleaner technology or energy sources. Transfer of technology for these purposes should be greatly facilitated and provisions in the international intellectual property regime impeding such transfers should be revised.

(13) Reform *international economic governance* in ways commensurate with the increased participation and role of developing countries in the global economy. Re-examine the role, accountability and governance of specialised institutions such as the IMF, WB and the WTO, and the role that the UN can play in global economic governance.

(14) Address trade and financial policies that inhibit the state's discretion and ability to carry out *industrial policy* for the purpose of building domestic economic sectors in agriculture, manufacturing, services and research and development.

(15) Review the *economic ownership* of domestic assets, plants, equipment and natural resources by safeguarding state-owned enterprises. As such, privatization initiatives, procurement policies, and public-private partnerships should not encroach national ownership of assets and resources.

Social Issues for the post-2015 development framework

(1) Ensure that *poverty eradication* is the highest priority of the international community and that concrete measures and an overall strategy are adopted to address the international and national factors that continue to cause poverty.

(2) Place high priority to the goal of *full employment and adequate rural livelihoods* in the formal and informal sectors and to orient macro-economic policies towards meeting this goal.

(3) Developing countries to have *adequate policy space* to utilise appropriate policy measures and instruments towards social development, and a review of international rules and agreements to improve the extent of such policy space.

(4) To make progress on a development agenda on *intellectual property* to orient the international IP regime so that there are sufficient flexibilities for developing countries to pursue social progress in healthcare, education, food security, and so on.

(5) Increase in *international financing support* to enable developing countries to have resources for social development.

(6) Addressing developing countries' needs of *food security, farmers livelihoods and rural development.*