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Right-based and People-centered Sustainable Development Financing

A collation of Interventions of Civil Society Representatives

June 2014

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Right-based and People-centered Sustainable Development Financing

A collation of Interventions of Civil Society
Representatives delivered at the Asia-Pacific Outreach
Meeting on Sustainable Development Financing hosted
by the UN ESCAP and the Indonesian Ministry of Finance

Jakarta, 10-11 June 2014

Representatives of civil society from the Asia-Pacific region delivered their views on seven topics at the Asia-Pacific Outreach Meeting on Sustainable Development Financing held on 10-11 June 2014 in Jakarta co-hosted by the United Nations ESCAP and Ministry of Finance, Indonesia. The Outreach Meeting brought key stakeholders from the public, private and civil society sectors from across Asia and the Pacific to advance regional perspectives on sustainable financing strategies and options, specifically in the areas of domestic resource mobilization, domestic capital market development, infrastructure finance and public-private partnerships, climate finance, institutional investors and connecting capital markets, financial inclusion, South-South, triangular and regional cooperation.

This paper is a collation of interventions delivered by seven representatives of civil society participating in the Meeting and key messages for the closing session on Way Forward. The interventions are results of collaborative works of CSOs participants at that Meeting. They are:

1. Dr. Benjamin Quinones, Jr. Chairman of Asian Solidarity Economy Council, Board member of RIPPES-Asia, Philippines
2. Rezaul Karim Chowdhury, Chief Moderator of EquityBD/ Executive Director COAST, Bangladesh
3. Gigi Francisco, General Coordinator for Development Alternatives with Women for a New era (DAWN), Philippines
4. Jawed A. Khan, Centre for Budget & Governance Accountability (CBGA), India
5. Daya Sagar Shrestha, Executive Director of NGO Federation of Nepal
6. Erin Palomares, Coordinator for Reality of Aid Network, Philippines
7. Ana Mae V. Buenaventura-Dolleton, Deputy Coordinator for Jubilee South Asia Pacific Movement on Debt and Development (JSAPMDD), Philippines
8. Dr. Arjun Karki, International Coordinator for LDC Watch, Nepal
9. Bernie Lovegrove, Asia Pacific Regional Coordinator for the Civil Society Education Fund (CSEF), ASPBAE, based in Australia
10. Shamim Hayder Talukder, Founder and Chief Executive Officer of Eminence Associates for Social Development / President, International Society for Urban Health/ Member Secretary of Bangladesh Urban Health Network, Bangladesh
11. Leonor Briones, Lead Convenor Social Watch, Philippines
12. Janet Carandang, Secretariat Coordinator, Social Watch Philippines
13. Amalia Pulungan, Advisor, Indonesia Peasant Alliance/Dignity International, Indonesia
14. Henriette Imelda, Developing country expert for Institute for Essential Services Reform (IESR), Senior Associate on Energy and Climate Change, Indonesia,
15. Titi Soentoro, Policy Advisor, for Asia Pacific Forum on Women, Law and Development (APWLD) / Aksi! for gender, social and ecological justice, Indonesia
16. Andy William Sinaga, Coordinator PME KSBSI, Indonesia
17. Aldo Caliari, Director Rethinking Bretton Woods Project Center of Concern, USA

Moreover, we have received valuable views and input from Kate Lapin and Tessa Khan of the Asia-Pacific Forum on Women, Law and Development (APWLD) as well as well as from Nicole Bidegain and Corina Rodriguez from DAWN that further in enriched the interventions.

Asia Pacific civil society representatives engaged also actively in two earlier conferences on sustainable development hosted by UN ESCAP in August 2013 and May 2014. Please refer also to recommendations from (1) Bangkok Civil Society Declaration: *From Inclusive to Just*

Development at:

<http://apwld.org/bangkok-civil-society-declaration-from-inclusive-to-just-development/> and
(2) Asia Pacific Forum on Sustainable Development : *Advancing People's Agenda for
Development Justice* at [http://peoplesgoals.org/summary-of-civil-society-
recommendations-for-the-apfsd/](http://peoplesgoals.org/summary-of-civil-society-recommendations-for-the-apfsd/)

At the Asia-Pacific Outreach Meeting on Sustainable Development Financing on 10-11 June 2014 in Jakarta, Civil society representatives were required to deliver their intervention concisely without exceeding the 5-minute allowable time for all panelists. This paper presents the full version of prepared interventions.

We would like to thank the UN ESCAP and UN NGLS that ensured space for civil society to present their views and engage in the panel discussion on various aspects of sustainable development financing. We look forward to further work with all of you toward mobilizing a rights-based, socially responsible, pro-poor and equitable convergence of financial resources for genuine sustainable development.

Unchanging Challenges in a Changing Development Landscape

Prof. Emeritus Leonor Magtolis Briones
Lead Convenor, Social Watch Philippines

Preliminary remarks

We in civil society appreciate the opportunity given to us to share our perspectives on sustainable development finance in the Asia-Pacific Outreach Meeting on Sustainable Development Financing.

Nonetheless, we believe that we have to express our concerns about civil society participation in the Intergovernmental Committee of Experts on Sustainable Development Financing.

The drafting of the International Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) report is already underway. Yet, the Civil Society Committee has little information about its content. A number of CSO representatives were unable to contribute in the drafting process in an informed and systematic way. This was brought out by CSO speakers in an interactive session last May, as well as in Brussels.

CSO representatives have reported that while they have the opportunity to comment on drafts in the Open Working Group Process, ICESDF meetings are closed.

With due respect to our gracious host and well-intentioned organizer of this meeting, we would like to point out certain limitations. The panel topics were already set and civil society was not able to propose other themes. We would have preferred to have civil society expert panelists as well as a collaborative approach to agenda setting.

In light of the above we would like to propose that the resolutions during the recent APFSD civil society meetings be considered for the discussions in this outreach meeting.

Civil society and sustainable development financing

For the past twenty-two years, civil society has consistently advocated for active participation in the search for solutions to the challenges of sustainable development finance. Many CSO'S go all the way back to Rio, Copenhagen and Monterrey. Many of them participated in, and monitored recent assemblies and meetings, e.g. the United Nations Conference on Sustainable Development, the Intergovernmental Committee of Experts on Sustainable Development, and the 2013 Ministerial Declaration on Regional Cooperation.

One of the consistent challenges which inevitably surfaced in these meetings was that of mobilizing domestic resources. In the Monterrey Consensus on Financing for Development, consensus was achieved on 19 issues. We in civil society believed then that certain important issues were not fully resolved. We ask now: how far have these 19 issues been adopted by the international community and individual countries?

Even then, civil society groups emphatically declared their stand on domestic resources as a source of financing. Even as the development landscape is changing, their position on basic issues of public finance remain the same: preference for direct taxes viz indirect taxes; emphasis on social development in the allocation of government expenditures; finding lasting solutions to the problems of debt and debt crises; and accountability and good governance. Issues of climate change and environmental challenges have gained greater urgency at this time.

Why is civil society giving so much attention and priority to domestic resources? Even as our development problems are aggravated by climate change, we know for a fact that at the end of the day, we cannot completely rely on external financing. Our combined experience has shown as that even as we believe much of our climate change problems were brought about by the excesses of the big industrialized countries, we in the South have to bear much of the burden of recovery, reconstruction, mitigation and preparedness.

Taxes and other forms of revenue

While three of the previous speakers have expressed their views on domestic resources as a whole, seven have focused on taxation with one dealing on the reprioritization of expenditure. This emphasizes the reliance on taxes as a major source of revenue, especially for developing countries.

The 2013 ESCAP Report has bluntly pointed out, *"Inequality in the region has been exacerbated by the failure of fiscal policy to play its distributional role through making the tax structure more progressive and providing for increased expenditure in the public provisioning of essential services, including social protection."* Related studies on countries in Asia and the Pacific confirm this unchanging situation of regressive tax systems.

All these put to rest the argument and the pressure to reduce income taxes and rely more on indirect taxes as a means to raise more revenue.

While CSOs in developing countries in Asia and the Pacific steadfastly advocate for more efficient collection of direct taxes, others have supported more nuanced positions. In the case of India, the Centre for Budget and Governance Accountability (CBGA) has called for a sharing of experiences on the implementation of VAT and GST experiences in different countries.

Our speaker from Sri Lanka has called attention to tax incentives and holidays on revenues. This is also the call of India's Centre for Budget and Governance Accountability and Social Watch Philippines. The former has also called attention to the call of G20 for "reforms" on Global Governance on Tax Issues. The CBGA also pointed out the tax implications of Double Taxation Avoidance Agreements (DTAA), transfer pricing, trade mispricing, tax havens and financial transparency measures. The CBGA advocates for Progressive taxation—in particular taxation of wealth and inheritance—can be a powerful force limiting inequality and better domestic resource mobilization. Though, wealth tax is an important source of direct tax revenue, especially in tax structures of most of the other G20 and BRICS countries, but, it is clearly a neglected source of revenue collection in many developing countries. These are similar issues, which have also been raised in the Philippines and other developing countries. Even as it has consistently supported direct taxes, Social Watch Philippines supported the campaign of the Department of Finance on increasing the tax rates for cigars, cigarettes, wine and liquor for two reasons: first, excessive consumption of

these products are injurious to the health of the general population, and second, the previous rates were extremely low relative to those of other countries. Furthermore, the cost of treating ailments related to these products was much higher.

Domestic resource mobilization and expenditure allocation

More and more civil society organizations are insisting on participation in the expenditure allocation process of the budget. In the case of the Philippines, Social Watch has expended considerable energy on the budget. It has successfully pushed the Philippine government into substantially increasing allocations for anti-poverty programs, health, education, environment and social protection. Lately, it co-organized a massive campaign for the abolition of "pork barrel" for the legislature, as well as all lump sum appropriations, which resulted in a Supreme Court decision declaring pork as unconstitutional.

Gender is a crosscutting issue in expenditure allocation. We in civil society urge all governments to integrate gender budgeting with the national and local budgets. It is said that women hold up half the sky, they serve their rightful share of government services.

Many countries in Asia and the Pacific are not only participating in budget allocation; they also monitor budget performance and utilization. India, Nepal, Cambodia, Bangladesh, Thailand, Malaysia and Indonesia are among the countries in Asia and the Pacific, which participate in the budget process. Helping them in exchanging experiences of success as well as failure with other countries will surely be of great help.

Mobilizing natural resource revenues for investing in development

Many developing resource-rich countries have huge numbers of poor people. A number of them are in Asia and the Pacific. It has been observed that governments are often at a disadvantage relative to corporations in negotiating contracts. Bantay Kita of the Philippines noted that *"Companies often know more about the value of the resource, the geology and the terms of international contracts, putting them in strong bargaining positions relative to government."*

In the case of the Philippines, it only gets 13% of the value of minerals, which are extracted, compared to Norway, which gets 78% from oil extraction.

If the Asia-Pacific community is serious about helping developing countries to increase revenue from their own natural resources, concrete programs have to be put in place, experiences shared, and skills transferred to reverse the asymmetric situation of these resource-rich countries.

Ensuring accountability

The matter of governance, graft and corruption is considered a sensitive issue in many developing countries. Nevertheless, it remains a serious deterrent to development-oriented resource mobilization and expenditure. While the matter of governance is considered the business of individual countries and their governments, it has become globalized, necessitating global action.

On many occasions in many countries, civil society has taken the lead in ousting corrupt governments and introducing basic reform. We have seen it in the past. We are seeing it

now. We will be seeing it again and again unless the Asia Pacific Community undertakes joint action and initiates capacity building in fighting corruption and share experiences and lessons.

It has been twelve years since Monterrey. We are now talking about the changing development landscape. The challenges remain the same. Perhaps, not enough is being done?

There are key issues relating to domestic resource mobilization, to not ignoring the fact of historical responsibility of developed countries, to tax justice and illicit financial flow.

- a. Civil society expresses shame that some of the developed countries have set back in fulfillment of MDG 8 and commitment of 0.7% of GNP as development assistance. There are gloomy pictures of fulfillment of the commitment from developed countries in climate finance too. We must continue to urge developed countries that it is our shared prosperity within the planet. Our vision of shared prosperity means, leaving no one behind and letting no one get away. They have to fulfill their commitment and admit their historical responsibility.
- b. Taxing plays important role in domestic resource mobilization of a country, however, civil society have been expressing concern on growing emphasize on value added tax (VAT), which is regressive to poor. But some of the international financial institutions unnecessarily add this as a condition to their financial assistance as we have research report from other continents that it is a discredited policy. In some countries more than half of their total internal revenue mobilization is from VAT i.e. indirect tax where in some other countries rate is more than 15% and above in average. Countries in Asia Pacific (AP) region should emphasize direct tax, especially income tax and corporate tax. We have to treat taxing in view of justice and redistributive framework. It should be collected from the rich and distributed to the poor to minimize the inequalities.
- c. One of the major global and inter-countries inequalities is due to the illicit financial flows. Some researches show that it is annually US\$947 billion extracted from the developing countries through illicit financial flows, which is much bigger than annual aid of US\$130 billions provided to the developing countries. That means the developing countries are losing almost US\$9 against every dollar of the aid they receive. It has happened due to (i) tax competition between countries, (ii) maintaining tax havens, majority of such tax havens are situated in developed countries, (iii) bank information secrecy, and (iv) avoidance of tax especially by multinational companies mostly by transfer pricing.
- d. G20 / OECD countries have taken a process to minimize these illicit flows, which is being called as BEPS (Base Erosion and Profit Shifting) process, but this is not inclusive, especially having seldom participation from least developed countries (LDC). Developing countries should demand their participation in the process to make it universal. Developed countries must stop and close their tax havens. The

international community must agree on eliminating bank secrecy. Countries must strengthen the constitution and the agenda of mandate of UN tax committee. Above all, the countries should demand a UN code of conduct on cooperation in combating tax evasion and avoidance, and a uniform international standard to ensure accountability of multinational corporations.

Public Private Partnerships (PPPs): Private Gains, Public Costs? Call for Accountability, Democratic Ownership and Adherence to Human Rights in PPPs

Erin Palomares
Coordinator for Reality of Aid Network, Philippines,

We are seeing the growing role being attributed to the private sector in development, particularly in light of the financial crises and dwindling ODA. Governments and multilateral development institutions including the UN have leveraged private sector financing for essential public services and sustainable development. We recognize the role of the private sector as a stakeholder in the development strategy, but we are wary that the push for private sector development is taking place without proper discussion on regulatory and accountability frameworks by which to hold the private sector accountable to the people and ensure they contribute to effective development.

Studies carried out by civil society groups show that while a few public-private partnership (PPP)-based projects can be characterized as successful to some degree, many of them have failed. For a majority of PPPs trustworthy evaluations that take into account financial, social, environmental, as well as affordability and access impacts, simply do not exist. Although PPPs are predicated as a necessary modality to respond to leaner public budgets, the cost to the public from PPPs has often been huge. PPPs allow governments to place liabilities off-budget, thus hiding their true fiscal impacts. The complexity of the associated contracts, associated to lack of transparency, and public scrutiny, greatly increase the risks of corruption and waste. In addition to often costing the public more money than projects undertaken by the public sector alone, tax revenue is also lost through investors in PPPs taking funds offshore to tax haven locations.

Governments and public carry the overwhelming risk in PPP projects, while participating firms have their returns guaranteed with no risk, thus raising concerns regarding moral hazard of the private sector entities involved. It is often the case that governments would safeguard investors and PPP projects against “regulatory risk” – meaning the risk that future environmental or social regulations might undermine the profitability of investments.

PPPs are supposed to help reduce poverty and jumpstart development, but in most PPP-based infrastructure projects, the poor are often the last to benefit from increased access and tend to be overlooked by private operators. The results of expected ‘trickle-down effects’ have been slow. In such situations where public service becomes privatized and profit-driven, the poor are always the most vulnerable. With their lack of paying capacity, combined with governments’ default in ensuring safety nets and social protection, the poor ends up marginalized from basic social services that now increasingly ‘come with a price’.

This is evident in the experiences of various countries in Asia Pacific, whereby privatization of water, electricity, and other basic services resulted in issues regarding equity and access particularly for the poor. It has also resulted in displacement of communities, land grabs and other human rights abuses linked to national and international investors.

Civil society has put forth a number of recommendations in this regard:

1. On discussion of means of implementation for sustainable development, it should be recognized that new sources of financing such as PPPs are complementary and not a substitute for traditional means of implementation keeping the public sector at the center of sustainable development financing;
2. Where PPPs are utilized, they should be based on a thorough analysis of the capacities of private sector partners based on real needs and not profit, community risks, accessibility, quality and affordability of goods and services produced and long-term sustainability. Major investments in infrastructure should carry out mandatory and transparent environmental and social impact assessments.
3. Policy coherence must be implemented, within which all Development Finance Institutions (DFIs) and aid investments for Private Sector Development (PSD) or Public-Private Partnerships (PPPs) are 1) aligned with developing countries' investment priorities; 2) make development outcomes the overriding criteria for project selection and evaluation; 3) comply with highly responsible investment standards; 4) target domestic companies as a preferred option; and 5) prevent tax avoidance and set high standards for transparency, including improving transparency of financial intermediaries.
4. Transparency and accountability should be put at the heart of all private sector engagement in development. Full public access to all project documentation, project implementation plans and evaluations is essential if citizens, and particularly affected populations, are to have a meaningful voice and hold private sectors accountable to development results or adverse consequences. Prior, full disclosure and valuation of direct and contingent, explicit and implicit, guarantees, should be mandatory. Civil society and affected communities must be involved in the planning, design, implementation and monitoring of PPP projects.
5. Mandatory guidelines for PPPs should be implemented. Guidelines should include pro-poor and human rights indicators to measure impacts, the obligation to consult with local stakeholders including CSOs, and access to mechanisms for accountability and effective remedies for those whose rights have been violated.
6. Transparency, accountability, democratic ownership, and adherence to human rights – these are the essential principles that need to be upheld if we want sustainable development financing mechanisms to contribute to genuine development effectiveness post-2015.

Develop public-CSO partnership in sustainable development financing, reverse the outflow of domestic resources to overseas capital markets

Amalia Pulungan

Advisor, Indonesia Peasant Alliance/Dignity International, Indonesia

Capital market development in the last decades has not made any significant contribution to poverty alleviation and redistributive justice in the economies of poorer countries. During the period 1980 to 2007, capital market development has been characterized by capital flight from developing countries to developed countries, facilitated by the integration of financial systems into global financial markets (as measured by international bond issues, international loans, off-shore deposits and remittance flows). This resulted in financial deepening in developed countries marked by a shift towards market-based financial systems, while no significant deepening occurred in middle- and low-income countries (Thorsten Beck and Asli Demirgüç-Kunt, May 2009).

It has been shown that countries with higher levels of Private Credit to GDP have grown faster and experienced faster rates of poverty reduction (Beck, Levine and Loayza, 2000; Beck, Demirguc-Kunt and Levine, 2007). With the market-led financial deepening, however, the increase in lending and bond issues has been concentrated in high-income countries. In contrast, banks in less developed countries that have actively invested in capital markets were left with a smaller share of their deposits for intermediation into private sector credits.

Capital market development has not contributed to both stock market capitalization and bond market capitalization of institutions providing financial services to the poor and socially excluded. While microfinance is universally recognized as an effective instrument for the poor to overcome poverty, microfinance institutions (MFIs) have no access to capital markets and they continue to depend on donations and/or commercial loans for capital expansion. Central banks also do not allow MFIs in most countries to mobilize deposits from the public without a banking license. Consequently, MFIs have difficulties in offering long-term loans that may enable the poor and socially excluded to invest in the development of community-based supply chains as well as to undertake capital-intensive but socially beneficial development projects such as community hospital, health care clinics, low-cost housing, community learning centers, local water system, and the like.

As a subset of capital market development, savings of institutional investors are mentioned as a potential source of finance, especially for long-term infrastructure projects. However, investment by these investors can only be viable in projects with a high risk-adjusted rate of return. Therefore, the pursuit of institutional investors carries added risks of exacerbating unfair distribution of risks and benefits in Public-Private Partnerships. Without adequate safeguards for taxpayers and citizens in countries hosting such investment, PPPs designed to act as outlets for institutional investment funding may simply generate such outsized returns by transferring risks to the public. Some of the forms this reallocation of risk can take are unjustified government guarantees, tariffs that price out users, tax exemptions and

incentives, regulatory and tax stability agreements.

We the CSO representatives to APMSDF call for a restructuring of capital markets to ensure redistribute justice in the economies of developing countries. More specifically, we call for the prioritization of development partnership between local government units (LGUs) and civil society organizations (CSOs) and the enactment of appropriate laws and regulatory framework that will legitimize LGU-CSO partnership in sustainable development financing and promote financial innovations such as: *solidarity bonds* to attract local savings for intermediation to social enterprises; special purpose Public-Private Trust (SP-PPT) for the issuance of capital market instruments; Social Purchase Clubs of consumers which enter into an agreement with agro ecological food producers to buy the food produce before it is grown; and ('social currencies' or 'complementary currencies' to guarantee monetary and non-monetary trade transactions among community dwellers without the need of formal financing from banks.

Climate finance: historical responsibility of the developed countries, no to double burden on victims

Rezaul Karim Chowdhury
Chief Moderator of EquityBD/ Executive Director COAST, Bangladesh

In view of the UNFCCC article IV paragraphs 3 and 4 developed country parties are obliged to provide financial support to cover “full incremental cost” incurred by developing country parties in mitigation and full cost of adaptation as a part of historical responsibility. The International Energy Agency also recently warned in a report titled “Redrawing Climate-Energy Map of 2013” that delaying stronger climate action to 2020 would come at a cost of US\$ 1.5 trillion in low carbon investments, but additional investments of US\$5 trillion would be needed thereafter to get back on track. Other studies estimate the global financing requirements of developing countries for mitigation and adaptation of US\$600 to US\$1,500 billion a year (South Centre). For example, the costs alone of supporting the urgent needs of island states, which may need to relocate entire populations, would be tremendous.

Studies of the pledges made by developed countries at the 2009 Conference of Parties in Copenhagen for Fast-start Finance from 2010-2012 in the amount of US\$33 billion are finding that a large portion of the funds are not new and additional. Funds that were previously being given as ODA or development finance were simply re-classified as climate finance. Funds that were pledged for climate programs prior to 2010 (and thus not new and additional) were also being counted. Recalling the Future We Want, ODA should reach 0.7% of GNP, meaning that climate finance should be on top of that.

As for Long Term Finance, developed countries “committed to a goal of mobilizing jointly US\$ 100 billion per year by 2020 to address the needs of developing countries” at the 2010 Conference of the Parties in Cancun. However, to-date, there is no clarity on how would developed countries mobilize the US\$ 100 billion from public sources. There has yet been no actual delivery of funds based on this commitment, while Green Climate Fund is now ready for business. Even so, the number is still falling far short of the climate finance needed by developing countries for both adaptation and mitigation.

We reiterate that

- Climate finance must be **obligatory, automatic and predictable** for developed countries to mobilize instead of voluntary and should not be compromised by domestic politics.
- It should be **new and additional** to other standing financial commitments of developed country governments to developing countries such as Official Development Assistance.
- It should be of a **public** nature, that is, direct contributions from governments of developed countries and international taxes. It is the responsibility of the developed

country governments to collect from their corporations and other entities, as part of complying with their obligations under the UN Climate Convention.

- While the losses, damages and other costs and impacts of climate change can never be fully compensated and restored – climate finance must aim to cover these as close as possible. Further, climate finance should be delivered in a predictable and not arbitrary and discretionary manner.
- As climate finance is an obligation of developed countries, it should not be in the form of loans that have to be repaid, and thus add to the burdens of the developing countries. Neither should it be primarily in the form of investments that expect profitable returns and can be withdrawn at any time by investors.
- To consider “blending” – linking grants with loans – as a climate finance mechanism violates the UNFCCC’s provisions that developed countries should bear the heaviest costs of adaptation and mitigation needs of developing countries. Essentially, funding resources generated through blending are loans, using public resources such as ODA to leverage private finance.
- Climate finance should not come with conditionalities that infringe on the sovereignty and self-determination of the peoples of developing countries.
- To cover the “full incremental costs” of developing country Parties in implementing climate adaptation and mitigation measures, climate finance not only refers to financial resources. The provision of climate finance from developed countries does not make developed countries free from their obligation to do deep emission cuts as required by the science evidence.
- Climate finance (including the Green Climate Fund) should not be used, whether directly or indirectly to finance fossil fuel projects or programs. We urge the adoption of an exclusion list that would effectively bar fossil fuel projects/programs from being supported by climate finance.

It is vital therefore that sourcing and mobilizing resources for climate finance be

1. **Equitable:** Financing must flow from Northern developed countries, and must not cause additional burdens to the peoples of the South
2. **Compliant with Do-no-harm:** The instruments and mechanisms for raising funds should not lead to further impoverishment, disempowerment and discrimination of marginalized peoples in both developed and developing countries, nor cause destruction of the environment
3. **Gender-just:** Grassroots women are particularly vulnerable and thus empowering them in society and the economy must be a vital concern of climate finance
4. **Adequate and Additional:** Climate finance must be additional to ODA and other commitments of developed countries, meaning that it should be on top of 0.7 percent of GNP, which was the standard set in Rio+20

5. **Predictable:** Financial flows must be predictable so that governments and people's organizations, community organizations, movements and citizens groups can make the most effective use of them. Predictability is necessary for effective planning and building programs
6. **Public:** Climate finance should not depend on direct private contributions and private investments
7. **Transparent and accountable:** Revenue-raising mechanisms must allow citizens to see how much money is being generated from what sources, and how enforcement is being undertaken at the national and international levels
8. **Financially responsible:** Climate finance sourcing should help curb speculative investments taking advantage of the climate change issue and increase public control of financial flows
9. **Transformational:** The mechanisms should promote economy-wide reform away from fossil fuel systems, the transition to renewable energy sources and local control of natural resources. The way that the funding is provided should help reduce carbon usage, for example by rebalancing economic choice in favor of renewable alternatives.

Public-Civil Society Organization Partnership in Developing Capital Markets for SMEs and Social Enterprises in Asia & the Pacific

Dr. Benjamin Quiñones, Jr.
Chairman, Asian Solidarity Economy Council
Board member, RIPESS

My heartfelt thanks go to the Ministry of Finance of Indonesia and UN ESCAP for inviting me to this important meeting.

Section V of the background paper prepared by UNESCAP tells us that equity and bond markets in developing countries, particularly the local currency bonds, have experienced impressive growth in recent years. It also reports that the top institutional investors in the capital markets of the Asia Pacific are insurance companies, mutual funds, pension funds, and sovereign wealth funds.

We must also mention that the target companies of these institutional investors are large companies, while the bulk of enterprises in developing countries are micro, small & medium enterprises and they have no access to capital markets in terms of mobilizing funds for their own capital requirements. In the Philippines, some 42% of self-employed operators of enterprises are women.

SMEs are strategically important for Asia and the Pacific. They play a crucial role not only as agents for innovation and technology development, but also in giving breadth and depth to public voice which is key for development of rights-based democratic processes in developing countries.

Against this backdrop, we the CSO representatives propose for consideration of your excellencies and distinguished delegates that UN-ESCAP undertake action research on the development of equity and bond markets for SMEs and social enterprises ¹. This is our first recommendation.

Our second recommendation is connected to the first. We the CSO representatives propose that the action research on capital markets development for SMEs and social enterprises be adopted by UNESCAP as a concrete agenda for partnership between government, particularly the local government units, and the civil society organizations, especially women CSOs. CSOs have the motivation, expertise and experience in developing and strengthening social capital in communities and among micro, small & medium enterprises. Women CSOs

¹ The situation of capital markets for SMEs & social enterprises today is similar to that of microfinance 30 years ago insofar as the response of formal financial institutions to the capital expansion needs of SMEs and social enterprises are concerned. In the absence of sustainable financial innovation in microfinance, formal financial institutions were not motivated to lend to the poor for oft-repeated reasons such as they are un-organized, loans to them are highly risky and costly. Microfinance was not their cup of tea. UNDP undertook an action research to pilot test what was then called the Grameen Bank Approach (GBA). It was implemented by the Asia Pacific Development Centre (APDC), an inter-governmental organization established by UNDP and later on placed under the supervision of UN-ESCAP, where the author worked as Program Coordinator for Poverty Alleviation from 1996 to 2003. Today, microfinance institutions are mushrooming all over the world. One of the recipients of UNDP support and a participant of the GBA replication program is the pioneer of microfinance in China, Dr. Du Xiaoshan, who is also attending the Asian Pacific Outreach Meeting on Sustainable Development Financing.

in particular have the nurturing and caring spirit that is essential in building trust and confidence and solidarity ties among ordinary people. In the field of microfinance, women have been widely acclaimed to be good managers of finances.

Our third recommendation is again connected to the first two. We the CSO representatives propose that in pursuing the action research on the development of capital markets for SMEs and social enterprises, UN-ESCAP adopts the strategy of linking SMEs and social enterprises to socially responsible investors (SRIs). SRIs prefer to invest in social enterprises. They are largely concentrated in the US and Europe. In 2006, the volume of socially responsible investments amounted to some US\$3.5 trillion (Holger Liesendahl, 2007), 63% of which were in the US, 34% in Europe, and 1% in Asia. The SRI in Europe grew at a top rate of 36% per annum between 2003 & 2006 (Eurocif, 2006). In designing the proposed action research, UN-ESCAP may wish to tap the assistance of UN bodies and other international agencies affiliated with the UN Task Force on Social Solidarity Economy (UNTFSSSE), in which our organization RIPESS (Reseau Intercontinental de Promotion de l'Economie Sociale Solidaire) has an observer status.

In Europe, socially responsible investors have organized their own associations to promote information exchange and advance their cause in the European Union and in other continents. One of the more dynamic SRI associations is the International Investors in Social Economy (INAISE). INAISE is planning a social investment forum in Asia in 2016. This could provide a good opportunity avenue for information exchange and experience sharing between governments and financial institutions in Asia Pacific and the member financial institutions of INAISE.

Finally, the question arises: what is the role of formal financial institutions in the proposed action research? Formal financial institutions can serve as the public trust for the special investment vehicle that will be set up jointly by local government unit and civil society organizations in localities. Funds mobilized through the special investment vehicle can be invested in specified community projects such as community hospital, community health clinics, farm to market roads, community learning centres, local water systems, local power supply, or commodity supply chains.

Some social enterprises are experimenting with negotiable investment grade certificates of indebtedness or certificates of equity shares to mobilize local capital. An example is a social entrepreneur in Nueva Ecija in Central Luzon, Philippines. He needed a large sum of money to set up a dairy milk processing plant and research center, which sources fresh milk from dairy farmers who are organized into cooperatives. He could not avail of bank financing because of stringent collateral requirements. He also had difficulties raising funds through investment grade certificates in the Philippines, so he went to Hong Kong and mobilized the needed capital there with the help of a securities firm. Some of the investors were Overseas Filipino workers (OFWs) working in Hong Kong.

Your Excellencies, ladies and gentlemen, we the CSO representatives hope that UN-ESCAP will consider our proposal. Thank you.

Rights-based approach to women's economic rights and empowerment

Gigi Francisco

Development Alternatives with Women for a New Era (DAWN)

In the last report of the Outreach event of the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) held in Helsinki 3-4 April 2014, it was mentioned that the whole discussion on 'enabling environment' would need to be refocused from attracting (any) investment to creating investment that serves domestic development objectives and that the "role of governments was recognized as critical, in particular to enable the development of financial intermediation" as well as putting in place the necessary government mechanisms toward strengthening "financial infrastructure including regulations of local bank, finance for the informal sector; and bank reform."

The limiting single model of a woman entrepreneur

This part of the report only gained miniscule attention and needs to be resurrected and emphasized because private corporate finance appears to have eclipsed all others as the key driver of development. And in the name of innovative and inclusive financing, as the World Bank insists, it is poor women in global south that are mostly targeted in the name of inclusive financing and turned into a single model of economic actors - that of women integrated into the business ethos and value-chain structures of corporations while at the same time privatizing in themselves the cost and risks that their individualized debts had brought upon them. In the midst of all this hype of creating women entrepreneurial leadership, a recent report quoted the CEO of Coca-Cola having declared in a conference, "each time you create a woman entrepreneur, the community gets stronger... and as a result of stronger communities, you have a stronger business" (AWID Report 2013).

But this emphasis in the Post2015 discussion (OWG and ICESDF) on financial inclusion through the provision of financial resources for women is limited and limiting. There is mixed evidence on the success of microcredit as it can also create a cycle of indebtedness. We oppose the rapid commercialization in this sector and urge instead strengthening legal, regulatory, administrative and supervisory frameworks to support microfinance for social development. Women need much more to enable their overall economic empowerment and autonomy.

Instead women's rights groups have been advocating for all governments to recognize women's and girls' economic, political, social, cultural and bodily rights and specifically to address inter-linked issues of care work as not only shared but also a collective social responsibility. We have also been lobbying governments to respond more systematically to the sexual and reproductive health and rights of women and girls through publicly provided services and laws; to take stronger action against discrimination of persons with diverse sexual orientation and gender identity especially in the workplace and public spaces; to give full rights to all women workers especially to women domestic and overseas workers; or to guarantee rural women's individual and collective rights to land, abode and assets. Likewise, concerted effort is needed to ensure that all poor and marginalized peoples including

indigenous and tribal groups, and people with disabilities, gain access to resources such as education, health and income. There is no one size fits all solution to this challenge.

Support for SMEs and creating new markets

As the Helsinki Report further identified, *“governments must instead direct investments to sectors that they wish to promote for instance in agriculture; strengthening SME policies; stimulating national policies and practice so that the informal sector and the SMEs in the sectors that drive positive changes to those in poverty (agriculture, garments, etc.) receive/access finance and finance the infrastructure that these sectors need; national systems to create locally desirable norms, e.g. living wage, human rights; strong legal advice– supported by international actors; progressive tax regimes; and tackling illicit financial flows.”*

New blended financial models must also be explored only after exhausting the full range within the scope of domestic resource mobilization in which the public sector and CSO MFIs that work on the poor’s access and ownership of financial resources, lead in a sustainable development financing strategy, committing maximum available resources. Governments that aim to include women in public financing for rural development will boost their share of financial resources but this must go hand in hand with the development of alternative domestic markets linking women-led and community-based SMEs that provide a solidarity-based sustainable supply of food products and other manufactured and necessary goods for the national economy. In this way, new local markets are developed that respond to people’s real needs rather than one in which women are formed along consumerist orientations. And as alternative domestic markets are created and developed, economies of developing countries will become more diverse, resilient and sustainable. The recent Philippine Human Development Report of 2013 pointed to possible positive “neighborhood effects” or “spill-overs” that a particular city or province may have on adjacent or contiguous local areas but this is being hindered by parochial political interests and legal-institutional constraints. Nevertheless, there is an emergence of LGU alliances or inter-local cooperation that mitigates natural hazards or geo-ecological challenges, this according to the Undersecretary of the Department of Local Government during the launching of the HDR 2013. This could also be done with local markets that effectively link women’s enterprises that are made more feasible with the bottom-up budgeting (BUB) recently introduced at the local government level in the Philippines.

Global economic governance and national legislation/regulation

CSOs working on an economic justice agenda including DAWN have joined developing countries of the economic South, time and again in raising the need for the global community to reform macro-economic structures and policies that make it difficult for developing countries achieve modest growth and poverty eradication Furthermore, CSOs have been the most consistent in calling for macro-economic policies to be subjected to the principles of international human rights, including extraterritorial obligations of states to fulfill human rights. It is after all, humans and not corporations that governments, markets and other institutions ought to serve.

The CSW58 Expert Group report this year had concluded, “the prevailing neo-liberal economic model is incapable of supporting socially-oriented and gender-equitable sustainable development.” Moreover the Special Rapporteur on Extreme Poverty and Human Rights had recently prepared a report examining fiscal policy from the lens of human rights and equality, wherein one major recommendation was reassessing the share of corporate taxes to the need of raising revenue for development spending.

Given the still raging debates and tensions within the UN system among governments, institutions and civil society organizations towards financing of Post2015 goals, it was extremely disappointing to learn that UN Women had decided to launch a new Private Sector Leadership Advisory Council with leading businesses. In a press release, it was reported that *“the influential Council will offer advice on three specific areas: accelerating women’s economic empowerment, ending violence against women and helping to close the funding gap for UN Women.”* Women’s rights groups including my own organization DAWN are enormously worried with this initiative; what we see here is an expanding role of big business in defining, directing and overall limiting according to their priorities the United Nations agenda for women and girls, especially in the build-up and after the Post 2015 Development Agenda.

Finally on my last point: Since yesterday, we have heard officials and CSOs in the Asia Pacific speak about their financial needs, strategies, policies, programs, legal, regulatory, administrative and supervisory issues as well as opportunities, the question that seems to be facing us now is how to get a mix of agreements that will move us forward in a decisive and transformative way along the various areas of financing sustainable development. What will fall off the table and what will remain as we proceed discussions on the 0 draft? Given that we are all invested in this undertaking, we ask a practical question: what processes still remain for governments particularly in the economic south as well as CSOs to contribute toward the finalization of ICESDF report?

It must be based on sovereignty and solidarity, not a substitute of ODA in North-South cooperation, which is based on historical debt and redistributive justice.

Dr. Arjun Karki
International Coordinator for LDC Watch, Nepal

The Asia-Pacific comprises 13 UN-defined LDCs out of which 9 are in Asia and 4 in the Pacific. 4 of them are landlocked and 5 are small island states. Out of the 18 g7+ fragile states, 16 are LDCs and 3 of them are in the Asia-Pacific. Following the trend of an increase in the number of LDCs globally since the group was categorized in 1971; the Asia-Pacific has seen them grow from 3 to 13 today with only the Maldives and Samoa having graduated. This disturbing increasing trend has defeated the very purpose of “special development attention” committed to LDCs by member states. The new Istanbul Programme of Action for the LDCs for the Decade 2011-2020 (IPoA) aims to reduce at least half the number of LDCs by the decade. Given the dominant development paradigm failure which is depriving development justice to the most marginalized and vulnerable LDCs; South-South, triangular and regional cooperation is certainly a promising action-oriented approach and practice to effectively address the development challenges of these countries, contributing towards their graduation.

We are calling for such a development cooperation, which is genuinely people-centered and advances genuine, meaningful policy approach and practices which works in the interest of the peoples with a focus on the most marginalized and vulnerable communities. Women, children and the youth being the bulk of the population. We are calling for an alternative development cooperation, which is a departure from the dominant aid architecture guided primarily by political and economic interests. It should be one focused on the social sectors, human development and environmental vulnerabilities, which lie at the heart of our basic human rights and the right to sustainable development. A development cooperation, which advances the progressive realization of our development goals!

To this end, we are calling for our sub-regional and regional groups such as the SAARC, ASEAN, BIMSTEC to further work towards policies and practices that harness human and social development in the region. Sharing of knowledge, capacities, resources, skills and technology transfer focused on development priorities such as health, education, food security, decent employment, sustainable energy, climate change and related infrastructure must be kept centre-stage. Currently, cooperation has been pursued largely towards trade and investment based on loans and FDI which prioritizes profits and interests of the corporate giants rather than of small- and medium-sized enterprises including promotion and protection of people’s rights. Furthermore, prevailing geo-political interests in the region which have taken precedence have arrested the prospects of attaining our shared development goals. We have seen such a case of detrimental impact on development in the SAARC region, home to 4 LDCs among the 8 member states. Increasing militarization and prominence to national security as opposed to social development and human security have only led the SAARC countries to lag behind in the region. South-South, triangular and regional cooperation inclining towards a replication of the dominant top-down global partnership goes against the very fundamental horizontal nature of South-South

partnership. We don't want another 'North' amongst us, which blatantly goes against the spirit of our collective cooperation based on shared experiences, equality, solidarity, mutual respect and mutual benefit.

Additionally, South-South cooperation must not be taken as ODA and a substitute to North-South cooperation, which is entirely premised upon historic debt and redistributive justice. We must bear in mind that greater and effective South-South, triangular and regional cooperation in turn contributes to stronger policy- and decision-making in the interests of the Global South in multi-lateral North-South negotiations including global governance. We are all aware of the systemic flaws and imbalances in the global trade, financial, climate change and development dialogues and through our collective cooperation and policy co-ordination, we can clearly set examples and practices of a truly genuine partnership based on the principles of sovereignty and solidarity.

In conclusion, recalling that civil society is a recognized stakeholder and key partner in South-South cooperation, we are calling for a strengthened collaboration and policy space in terms of planning, co-ordination and implementation mechanisms. The role of civil society in ensuring democratic ownership of development and peaceful societies is pivotal. We will continue to engage and dialogue at national, regional and global levels to defend democratic development.

The Way Forward that We Want ...

Titi Soentoro

Aksi! for gender, social and ecological justice, Indonesia/Asia Pacific Forum on Women Law and Development (APWLD)

After hearing views on Sustainable Development Financing in these two last days, on behalf of civil society representatives attending this Conference, I would like to reiterate our key messages and recommendations.

Financing for sustainable development is critical for peoples in the Asia Pacific region, particularly the women, who suffer a disproportionate level of poverty. In many places they additionally face the burden of forced displacement due to development and investment projects, and climate change disasters as well as the false solutions being pushed by big business to address the climate change.

We know that an economic growth oriented model of development has not worked for the benefit of most people and the sustainability of this planet. We need to shift to a sustainable path to address the social and environmental dimensions of development and also the crisis of wealth and income inequality and inequality of opportunities within and between countries. Moreover, we need to change rules that allow the financial sector to shift risk to public sector while privatizing benefits.

We express our deep concern about increasing the role in development of the private sector without proper regulatory and accountability frameworks in terms of compliance with human rights, gender equality and environmental sustainability standards. Transparency and accountability should be at the heart of all private sector engagement in development.

Similarly, we caution against elevating and expanding the role of multilateral development banks and other international financial institutions, which, in their existing operations, already lack accountability. They are also implicated in projects that harmed communities and the environment and deepened the indebtedness of developing countries. The role, accountability and governance of such banks needs to be publicly re-examined, not least of all in relation to their private sector portfolios.

We are calling for a sustainable development financing, which:

- is rights-based and people-centered;
- is aligned with the highest human rights standards of health (communicable disease, HIV/AIDS, Tuberculosis, non communicable disease), education, food safety, security, and nutrition, income generation, and women empowerment; and
- adopts meaningful policy approaches and practices, which work in the interest of peoples, with a focus on the most marginalized and vulnerable communities.

We must also ensure that that international trade, investment, financial and fiscal frameworks are supportive of sustainable development.

To achieve these outcomes, there are several fundamental principles and practices must be

endorsed:

1. Governments are not the sole decision makers on sustainable development financing. Financing decisions must be accountable, transparent, and inclusive of civil society and the poor and marginalized peoples and groups in our societies. Democratic ownership as a core guiding principle must be upheld at all levels;
2. Reaffirm the central role of North-South state cooperation in financing, based on principles of international solidarity and cooperation. States, which are bound by international legal frameworks and are the principal duty-bearers of human rights obligations, must remain the central actors in any new financing strategy;
3. Special attention should be given to most vulnerable countries such as Least Developing Countries (LDCs), Land Locked Developing Countries (LLDCs) and Small Islands Developing Countries (SIDS) with their special needs. They are hardest hit by multiple crisis such as food, fuel, finance and climate crisis;
4. Where the private sector is given a role, it must be done on the basis of strict additionally and a fair allocation of risks and benefits between the private and public sector. Rigorous project safeguards and criteria should be applied in advance. Private sector financing must be aligned to developing countries investment and development priorities. This will require clear guidelines for alignment, ownership, transparency, accountability, and regular reporting on results; moreover, participation of local communities in the selection, planning, implementation, and monitoring of all projects;
5. Public financing must be prioritized over Public-Private Partnerships (PPP). The developmental role of the state should be reinforced. Engaging in PPPs to deliver public goods and services should be dealt with caution, ensuring regulatory frameworks are in place. Fiscal and public debt risks of Public-Private Partnership must be properly accounted for through an open and accountable process; and that all projects comply with binding human rights, social and environmental standards, including ILO standards;
6. Domestic micro, small and medium enterprises and companies should be prioritized over foreign companies;
7. Welfare, equality and the redistributive role of the state must be considered in the domestic resource mobilization;
8. Sustainable development finance, including the Green Climate Fund, must take the form of grants and not debt-creating instruments such as loans. Loans are contrary to the principle of climate finance as an obligation on the part of countries that stems from their historical responsibility for climate change. Such funds must not also be used for fossil fuel and other dirty energy projects and programs, which science has shown to exacerbate the climate crisis. The low carbon economy path must include the environmental, social and gender considerations;
9. Exponential growth of micro finance sector in the region is happening. This sector must be based on a rights-based approach, which includes providing access of the poor people in the ownership, addressing the issues of indebtedness. Building the

assets of the poor must be priority over asset building of large institutions. Commercialization and foreign direct investment in the sector needs to be limited and regulated.

10. Maximize the role of taxes that not only raise revenue, but also play an important regulatory role. Such taxes include a financial transaction tax, and taxes on harmful industries such as the arms trade or carbon emitting industries;
11. Taxation of fossil energy has to be taken at the production site and not at the consumption site, and it should become the first (and obvious!) world tax, very easy to collect as fossil energy production is highly concentrated;
12. Revenue to governments would also receive a huge boost simply by closing down tax havens, implementing country-by-country reporting, curbing transfer pricing, and addressing the illicit flow of billions of dollars out of developing countries each year. It must be ensured, however, that tax reforms to improve domestic resource mobilization do not perpetuate gender inequities. They must work towards increasing the share of direct taxes such as income and corporate taxes over indirect taxes like VAT (Value Added Tax) that increase the burdens of the poor, especially women;
13. A global minimum corporate tax should also play a key role in this context, given it would address the global race to the bottom in corporate income taxes. We recommend that the role of the UN Committee of Experts on International Tax Cooperation be expanded and strengthened to oversee these reforms;
14. Equally important are budget and expenditure frameworks which should be geared towards poverty reduction, environmental sustainability and ensure provisions for social services and social protection;
15. There are needs to be greater efforts to ensure all people have access to quality education and health services. To communicate the message effectively, substantial education programs are needed to raise awareness of the importance of sustainable development and the need for responsible sustainable economic activity;
16. Capital market development should be less individualistic and profit-oriented, but should be engaged in partnership with community and civil societies. National level capital markets can not remain without the regulation of the state in order to curtail inter-country capital flight. The state must also regulate the stock market and capital market to safe guard the interest of the small capital holders.

Recalling that civil society is a recognized stakeholder and key partner in South-South cooperation, we are calling for strengthened collaboration and policy space in terms of planning, co-ordination and implementation mechanisms. The role of civil society in ensuring democratic ownership of development and peaceful societies is pivotal. We, the civil society, will continue to engage and dialogue at national, regional and global levels to defend democratic development.

Finally, we wish to suggest 'ways forward' to enhance the work of the committee and its mandate to draw on the expertise of civil society and hold 'open and broad consultations'. We suggest that the committee urgently release its working draft of the report and seek

comments on the report by civil society and other experts.

We would like to thank you for the opportunities to share civil society' views on various aspects of sustainable development financing, and looking forward to work with all of you for a genuine sustainable development.

There will be no sustainable development if many are left behind