

Civil Society Financing for Development (FfD) Group Statement to Civil Society Consultation with Co-Chairs of LDC5

Delivered by Dereje Alemayehu, Global Alliance for Tax Justice

Thank you very much for this opportunity to speak here on behalf of the Civil Society FfD Group. The CS FfD Group is an open civil society platform which brings together hundreds of organisations from around the globe working on the different thematic issues covered in the FFD process. We will have a written submission to the outcome document.

Here I would like to highlight some important institutional and process issues that are very important for the voice of LDCs to be heard and shape outcomes.

There is a tendency to push developing countries to focus on domestic issues even at international meetings supposed to address global issues which impact domestic processes. We thus would like to emphasise that the LDC5 outcome document should recognise that systemic transformation of LDC economies depends on addressing blockages emanating from the international economic and financial structure.

This means the priorities should be those addressing the external constraints that shrink the fiscal and policy space of LDCs such as illicit financial flows, debt and the multiple layers of policy conditionalities that are increasingly narrowing the capacity of LDCs to shift their development path to a strategy focusing on people centred, rights-based socio-economic transformation strategies.

As in the past, we are concerned about the volatility and unreliability of financing strategies based on private investors. The current global financial architecture serves mainly to extract wealth; to exploit labour, to amplify gender and other intersectoral inequalities. It generates periodic crises and destabilises the global economy exposing countries, in particular the LDCs, to havoc and destruction. There is therefore an urgent need to bring the global financial architecture into democratic governance and accountability.

Global norm setting on these critical issues of global finance continues to take place in forums that suffer from serious democratic deficits. In the process, LDCs are systematically excluded from decision-making and reduced to being 'rule takers' rather than 'rule makers'. The result is a global economic and financial system that is ineffective and unsuitable for LDC contexts;

LDC5 outcome document should include concrete commitments to establish global norm-setting processes on issues of global finance in the only legitimate and inclusive forum that LDCs are represented i.e the United Nations.

- Debt: Already in 2019, prior to the pandemic, the LDC Group in the Second Committee of the UN General Assembly called for the UN to agree on an international framework for sovereign debt restructuring. Prioritising the structural reform of the global debt architecture is critical given the evolution of the creditor landscape and the proliferation of debt instruments.
- IFFs: LDCs cannot be expected to enhance domestic resource mobilisation without stopping resource leakages through illicit financial flows. As we said in another submission to a meeting at the UN, “To expect developing countries to enhance domestic resource mobilisation without stopping resource leakages in their economy is like expecting them to collect water with a sieve”; As called for by Africa Group, it is time for governments to negotiate a UN tax convention, to comprehensively address tax havens, tax abuse by multinational corporations and other illicit financial flows that obstruct redistribution and drain resources.

We are concerned that most of the negotiations are taking place in informal platforms without participation

of civil society. Civil society participation cannot be reduced to a tick box exercise with a short consultation. The lack of space for civil society to participate in the negotiations is deeply disappointing.