Financing for Development: the agenda for Addis Ababa 2015

The Financing for Development-process and conference in Addis Ababa in July 2015 come at a critical time, and must deliver on a number of issues for other crucial global agreements to bear fruit. 2015 will be a landmark year for the global fight against poverty and a sustainable future, with three crucial summits in just six months.

The Third UN Conference on Financing for Development (FfD) in Addis Ababa will be followed in September by the UN Summit for the adoption of the post-2015 development agenda in New York; and in December by the 21st Conference of the Parties (COP) on Climate Change in Paris. A central issue is how to reform the global financing system to allow the achievement of global sustainable development goals (SDGs) by 2030. On this, the FfD conference will play a critical role.

The Addis Ababa conference is a follow up to the first FfD conference convened in Monterrey in 2002, and the second FfD conference in Doha in 2008. The global scene and challenges have changed since then. We have more scientific knowledge about for example climate change, rapidly growing tax evasion, unsustainable debt burdens, and the impact of trade agreements on domestic resource mobilization in developing countries.

This has been met with a number of new initiatives, such as the Green Climate Fund, Country-by-Country reporting, UNCTADs Principles for Responsible Lending and Borrowing, and agreements on duty-free and quota free market access for the least developed countries. These initiatives are either not global in scope, or are facing problems with implementation though, which is seriously hampering their impact. The Ffd-process creates a crucial opportunity and responsibility to change this.

The issues tackled in Monterrey and Doha continue to be of central importance, and the challenge for Addis Ababa is to set out a concrete action plan, and to tackle new important issues.

This paper presents issues that the FfD-process must cover to be able to finance the eradication of poverty and turn development to a sustainable path. It looks at the recommendations from the UN Working Group on Sustainable Development Goals (OWG) and the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) [1] and gives recommendations on how these can be elaborated further to ensure common global action.

[1] Both the outcome document from the OWG (consisting of 70 member states) and from the ICESDF form part of the post-2015 processes together with the FfD, and were launched in August 2014.

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Preventing illicit financial flows and improving tax collection

The lack of international cooperation on tax matters is costing vast amounts of resources, which could have been allocated to sustainable development and the fulfillment of human rights. According to Global Financial Integrity, almost 1 trillion US $ is being taken out of developing countries each year through a web of corrupt activities that involve the use of anonymous shell companies, money laundering, trade transfer mispricing by multinationals, and illegal tax evasion.

While each country should strive to put in place effective and accountable tax systems, there is also a clear need for greater transparency in the global financial system, and stronger international commitment, to stop these activities. This point was raised in the Monterrey and Doha outcome documents. The ICESDF-report goes further and mentions specific tools for enhanced international tax cooperation that increase transparency, such as country-by-country reporting, automatic exchange of tax information, and public registers over beneficial owners of trusts and companies. These are crucial measures that the FfD-process should strive to put in place at a global level.

The measures mentioned are being implemented by single countries or groups of countries, and not on a global scale, which is crucial for success. Because of this, it is of the uttermost importance that FfD grasps the opportunity to make the UN Committee of Experts on Tax Matters, which is the only global and representative body on tax, an intergovernmental body. This was also recommended by the UN special rapporteur on human rights and extreme poverty In her 2014 report.

A substantial part of international work on tax matters currently takes place at the G20 and the OECD. Both have included "consultations" with developing countries that are not part of the G20, but the actual intergovernmental decision-making has taken place behind closed doors, without any links to this "consultation" process. Therefore, global standards are being developed without equal representation of developing countries, and with the majority of the world's

countries excluded from the decision-making processes, and hence not able to represent their interests, as they would in an intergovernmental body.

The ICESDF report acknowledges that there are three functions of international public finance: poverty eradication and development, financing the provision of regional and public goods, and maintaining macroeconomic stability within the context of the broader global enabling environment. In section VI.C (113) the report recommends that the international community should further explore innovative mechanisms, with a view to financing global sustainable development. A tax on financial transactions should be seen as a valuable addition in this aspect.

The OWG-report and targets are vague on illicit financial flows and tax evasion. While aiming at reducing it, it does not specify how, and thereby does not ensure any common action. Because of this it is of crucial importance that the FfD outcome document defines what concrete action is required.

Recommendations:

- To maximize tax revenues, states should ensure that **tax policies are designed and implemented in a transparent and accountable manner**. **Progressive taxation**, where the highest tax burden is placed on those with most financial resources, **should be recognized as a critical tool to address income inequality and poverty**.

- The existing UN Committee of Experts on International Cooperation in Tax Matters can play an important advisory role, if it is strengthened, but only a new intergovernmental body would have the legitimacy and membership to ensure truly global cooperation, good decision-making and implementation. We therefore recommend **converting the UN Committee of Experts on International Tax Cooperation into an intergovernmental body and providing it with appropriate resources.**

- **By 2020, develop and implement globally a system for automatic exchange of information among tax administrations**, while ensuring full confidentiality of data, and including a transition phase to allow developing countries that do not yet have the capacity to collect and exchange information automatically, to receive information for tax purposes automatically.

- **Establish and effectively implement an obligation for multinational corporations to publish as part of their annual reports so-called country-by-country reporting standards.** For each country in which they operate this must include: key data on profits made, taxes paid; subsidies received; turnover; and number of employees.

- Commit to and implement **national public registries that disclose the beneficial owners of companies, funds and trusts.**

- **A tax on all financial transactions, including currency, stocks and other value papers, to mobilize additional funds for financing the international sustainable development agenda, climate change initiatives** and eradicating poverty. Revenue derived from this tax should be channeled into funds managed by the United Nations, and redistributed to be spent on achieving Sustainable Development Goals and climate agreements.

Sovereign debt

The ability of states to finance sustainable development can be severely hindered by sovereign debt crises and unsustainable and illegitimate debt. The third FfD-conference is a unique opportunity for states to make concrete commitments towards preventing and resolving sovereign debt crises, to deal with illegitimate debt, and promote more responsible lending and borrowing.

Since the last FfD-conference, the global landscape has shifted significantly for sovereign debt issues. We are now faced with a situation where the HIPC-initiative is being phased out. This means that there are no international initiatives to deal with sovereign debt crises, even for the poorest countries.

Currently the least developed countries have riskier debt profiles as concessional loans have increasingly been replaced with private finance raised on the financial market. Within the group of low-income countries, 15 are at high risk of debt distress and 2 are already in debt distress[2]. Many emerging markets are more vulnerable to risk of crisis from international capital reversals or the bursting of speculative bubbles. Since 2008, the sovereign debt crises of several European countries have showed the increasing need for an international sovereign debt workout mechanism, for developed and developing countries alike.

Since the last FfD-conference, much conceptual work has been done by the international community to prevent and manage debt crises. Most notably UNCTAD has developed Principles for Responsible Sovereign Lending and Borrowing, and new proposals for a debt workout mechanism are being developed by UNCTAD, UNDESA and through academic initiatives.

The problem of holdout creditors was made particularly evident in the lawsuit against Argentina in the US, and the IMF has been working on how to improve marked-based mechanisms (such as Collective Action Clauses) to prevent holdout creditors from derailing debt restructurings. In September 2014 the UN General Assembly passed a resolution (A/68/L.57/Rev.1) that aims to establish a multilateral legal framework for sovereign debt restructuring processes. These developments form an important background for the third FfD-conference in 2015, and the outcome document from Addis should aim to consolidate and strengthen the efforts mentioned.

Existing commitments

Both the Monterrey and Doha declarations are clear in the commitment to an international debt workout mechanism and the shared responsibilities of creditors and debtors in preventing and resolving debt crises. However, the commitments from Monterrey and Doha must be strengthened in Addis, and these efforts must be brought to fruition by promoting concrete action to prevent and resolve sovereign debt crises.

The ICESDF-report provides good analysis of the current global debt situation, and the OWG-report addresses the need to attain "long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring " in target 17.4. But both fail to suggest concrete action, such as establishing a multilateral framework for debt restructuring.

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[2] IMF, 2014, *List of LIC DSAs for PRGT-Eligible Countries*, 7 August 2014, accessed on 25 September 2014. Available from https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf.

Recommendations

The outcome document from the conference in Addis Ababa should include strong commitments to:

- Create a **multilateral legal framework for sovereign debt restructuring processes**. This framework must be situated in a neutral forum; be comprehensive; provide a human needs based approach to debt sustainability; hold lenders and borrowers to account for irresponsible behavior; and give all stakeholders, including civil society, the right to be heard and give evidence.

- Scrutinize existing legacy debt along responsible financing standards. To examine the legitimacy of the debt, **creditors and debtors should commission independent debt audits, and illegitimate debt should be cancelled.**

- **Endorse and implement the UNCTAD Principles for Responsible Sovereign Lending and Borrowing**, and reinforce the earlier commitments that state that debtors and creditors must share the responsibility for preventing and resolving unsustainable debt situations.

- Ensure that **debt sustainability frameworks take into account the basic human rights obligations of states**, and their environmental commitments.

Global financial governance

Since the last FfD-conference, the international financial institutions, and the IMF in particular, have been engaging in debates on making their governance structures more democratic. However, no concrete results have come out of these discussions, and the moderate efforts at the IMF for a quota reform as agreed in 2010 has still not been carried out. This has led to increasing discontent among emerging market countries, and in 2014 the BRICS countries launched both a BRICS international development bank and fund, as a counterweight to the existing IFIs.

Existing commitments

The commitments made in Monterrey and Doha included strengthening the role of the United Nations and ensuring that the Bretton Woods institutions would be "comprehensively reformed". The report of the ICESDF (para 148) also emphasizes the need to make the international financial institutions more democratic and legitimate, and that the IMF and World Bank must bring their efforts to integrate the voices of emerging markets and developing countries into fruition.

The OWG supports this in target 10.6 to "ensure enhanced representation and voice of developing countries in decision making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions".

Recommendations

The outcome document from Addis Ababa should include the following commitments for:

- The **IMF to return to its core mandate as a lender of last resort** for countries that are facing temporary balance of payments crisis, and **refrain from placing any harmful macro-economic conditionalities** on their loans

- **Annual allocations of $250 billion in new SDRs,** and an amendment of the IMF's Articles of Agreement to allow the majority of new allocations to go **to developing countries.**

- **To make the IMF more democratic and representative by expanding the use of double-majority voting,** with decisions by the boards made only when both the requisite majority of member governments agree, and the decision garners support of the requisite majority of votes.

Trade

Many government leaders are pointing to trade and investment as key drivers for growth and development. This fact highlights the need for international rules and cooperation on trade to align with and support the overarching UN principles on sustainable development and poverty eradication, and the fundamental goals and principles to which governments already have agreed.

The means through which trade can be instrumental in achieving sustainable development must also be reflected in the SDGs and the Financing for Development Process. The recommendations from the OWG goes some way towards bridging trade issues with sustainable development, but still leaves some aspects wanting.

A fair trade regime can only come into being through a democratic institution where all countries have influence, and where rights and responsibility are differentiated based on capacity and level of development, and promotes market access for LDCs and developing countries. These principles are reaffirmed in OWG Targets 10a, 17.10, and 17.12, which we support, and should be strengthened through the FfD-process.

ForUM welcomes OWGs inclusion of the elimination of all forms of agricultural export subsidies in accordance with the mandate of the Doha Development Round (Target 2b), but regret the omission of reference to the Hong Kong WTO ministerial declaration, where countries promised to eliminate export subsidies by 2013.

We also support that the OWG acknowledge the right of developing countries to use the full flexibilities in the TRIPS agreement to protect public health (Target 3b). But regret that this reference was pushed back by developed countries for target 17.7 on transfer and dissemination of environmentally sound technologies to developing countries. After 20 years of the conclusion of the TRIPS Agreement, the TRIPS Council records show that there is no meaningful technology transfer from developed countries to least developed countries (LDCs).

Other notable omissions are reference to trade-related targets called for by the G77, such as "ensure fair, equitable and development friendly rules and protection of national policy space in bilateral and plurilateral trade and investment agreements".

Further, we are concerned with the surge in trade and investment agreements outside the WTO. We share the view of ICESDF, that these make the "mainstreaming of a sustainable development perspective in investment regimes more difficult. Developing countries find it increasingly difficult to navigate a highly fragmented international investment regime, which also risks curtailing policy space for host countries."

In addition, we would include that investment protection clauses such as on "Fair and Equitable Treatment" have been poorly legally defined, and often been abused by investors to curtail and prohibit legitimate government regulation. Investment agreements should include binding clauses on human rights. The primacy of such fundamental rights in the global economic policy architecture should be covered by and promoted in the FdD and SDGs.

Recommendations

The outcome document from Addis Ababa should commit to:

- **Rapidly eliminate all forms of agricultural export subsidies** and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round (target 2.b. in OWG recommendations), and the **Hong Kong Ministerial Declaration**

- Encourage developing countries **the full use of TRIPS flexibilities to provide access to affordable essential medicines and vaccines, and environmentally sound technologies**

- Implement the principle of **special and differential treatment for developing countries, in particular least developed countries**, in accordance with WTO agreements (OWG target 10.a)

- Realize timely implementation of **duty-free, quota-free market access on a lasting basis for all least developed countries consistent** with WTO decisions, including through ensuring that preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access (OWG target 17.12)

- Promote a **universal, rules-based, open, non-discriminatory and equitable multilateral trading system** under the WTO. (OWG target 17.10)

- Recognize that work on **multilateral trade agreements in the WTO should be prioritized and strengthened ahead of bilateral agreements**

- **Binding human rights clauses in all investment treaties**

Private Investments

Private investments have an immense potential to contribute to sustainable development. But far too often the opposite occurs when investments lead to violations of human rights and destruction of the environment. To avoid this and direct investments to a track that supports sustainable development, global common codes of conduct are needed, and reporting that follow up on these, together with effective means of legal protection and remedy for those affected by corporate abuse.

Since Doha in 2008, the UN Guiding Principles on Business and Human Rights (UNGP), including human rights due diligence, has been established as important tools to deal with this and hold corporations accountable. UNGP clarify the roles that governments and companies are expected to play in terms of protecting and respecting human rights, and several states have already developed national action plans (NAPs) on these principles.

The ICESDF report only addresses corporate accountability with weak language stating that "*host governments should require all companies, including foreign investors, to meet the core labour standards of the ILO, and encourage EESG reporting"* (on economic returns and environmental, social and governance impacts). The report does not refer to the UN Guiding Principles on Business and Human Rights, nor call for mandatory human rights due diligence reporting, and fails to mention effective means of legal protection and remedy for those affected by corporate abuse. Also, it lacks reference to the new process within the UN Human Rights Committee to prepare an international treaty on business and human rights.

The biggest loophole in the OWG outcome document, and the greatest threat to achieving sustainable development, is the complete lack of targets that hold corporations accountable. Until the 12:th OWG session the zero draft included a target to "establish and effectively implement a multilateral code of conduct for multinational corporations to secure social and environmental responsibility and accountability" (17.39). Regrettably this was deleted in the outcome document, not due to open complaints by states, but in the process of reducing the number of targets.

The 12:th OWG zero draft also included an important target for corporations to report on corporate social and environmental responsibility, including through integrated reporting (12.5), but this was also omitted. This makes it even more crucial for the FfD-process to make amends, and make sure that the post-2015 agenda includes investments and corporations through concrete mechanisms that hold them accountable.

Recommendations

The outcome document from Addis Ababa should commit to:

- Effective **implementation of the UN Guiding Principles on Business and human Rights** (UNGP), that was unanimously endorsed in 2011 by the United Nations Human Rights Council

- Effective implementation of the **OECD guidelines** that define **standards for socially and environmentally responsible corporate behavior, and** proscribe **procedures for resolving disputes between corporations and the communities or individuals** negatively affected by corporate activities

- Make it mandatory for all publicly listed companies to **report on corporate social and environmental responsibility**, including through integrated and country by country reporting

Climate finance

Climate change is one of the greatest environmental, social and economic threats facing the planet. Millions of people in developing countries will be pushed back into poverty by climate change, which poses a fundamental threat to social and economic development and will be a major challenge against the achievement of the SDGs.

By signing the UNFCCC agreement, the Annex 1/OECD-countries have promised to carry the full and incremental cost of a low-carbon development in developing countries. In addition, they have pledged to provide at least 100 billion US$ p.a. to developing countries in their efforts to adapt to and mitigate the impact of climate change, through the Copenhagen accord in 2009. This was repeated at COP16 in Cancun the following year. The funding is supposed to be new and additional, in other words, not reducing existing ODA budgets of the donor countries.

Currently there are a number of UN-controlled climate financing institutions; the most prominent is perhaps the newly created Green Climate Fund (GCF). The majority of these institutions are underfunded, and have a minor share in the flows of climate finance that go to developing countries. Climate finance is slowly picking up, but at the current growth rate it will be hard even to reach the goal of 100 billion p.a. (public and private). It is important that the multilateral institutions like GCF, Adaptation Fund, GEF, CIF, and others have a robust financing. This is because multilateral financing frequently, amongst other things, assures good, integrated national planning processes in developing countries.

Currently it is estimated that there are over 50 international public funds involved in climate finance, obviously with a large risk of over-administration, lack of coordination, and increased stress for the receiving structures in the developing countries, as a result.

Most importantly, the real need of investments in renewable energy in developing countries goes far beyond the Copenhagen goal. Currently a large proportion of developing countries are achieving a healthy economic growth rate, and the demand for energy is sharply rising. Infrastructure for electricity production and distribution is being planned and built rapidly, and if the necessary incentives for low-carbon alternatives are not available, many countries will find themselves locked in with fossil-based systems with a life-span of 30 years or more.

Furthermore, the cost of adaptation in developing countries is soaring, - estimates vary wildly, from 5 billion US$ up to beyond 100 billion p.a.. As it appears that the world will not succeed in maintaining global warming at less than 2C, the estimates are likely to continue to grow.

FfD in Doha, OWG and ICESDF

The Doha declaration is pre-Copenhagen, and as such not particularly relevant when it comes to climate finance. Nevertheless, it's commendable that it states clearly that it is the LDCs that should be the primary targets of climate finance. In recent years, the SIDS (Small Island Developing States) are included as well.

The OWG document provides support to "implement the commitment undertaken by developed country Parties to the UNFCCC of mobilizing jointly USD100 billion annually by 2020 to address the needs of developing countries", and "fully operationalize the Green Climate Fund through its capitalization as soon as possible" (target 13.a), which is very positive. It is also of great importance that it includes a target to phase out harmful fossil fuel subsidies (target 12.c).

The ICSDEF report is very clear on the large demand for climate finance, and quotes required numbers both for mitigation and adaption, which is positive. The discussion on rapidly increasing demands for disaster risk reduction and recovery, as well as compensation for victims of climate change-induced natural disasters, is however not well elaborated, and should be treated more thoroughly, including estimates of the needs.

It is also commendable that the report states the need for a suitable monitoring framework for the post-2015 development agenda that keeps track of sustainable development financing flows from all sources, with transparent and separate reporting for development and climate finance.

What is missing

More emphasis should be placed on the so-called innovative systems for (development) finance. Inspiration could be taken from the High-level Advisory Group on Climate Change Financing which in their AGF-report in 2010 recommends multilateral initiatives towards creating a global price on carbon. This could be done through a system of tradable offset quotas in a carbon market, or taxation, or both. But a goal of both would be to contribute towards the multilateral climate finance institutions. Lately a system of fees for the use of natural resources has been proposed from a variety of sources. Carbon-related instruments coordinated internationally, for example on international air and maritime transportation, could potentially mobilize significant public resources for climate action in developing countries.

A global financial transaction tax, as mentioned earlier in this document, would be a new and additional source. The share of the revenues to be allocated to climate action would be a political issue. Strong international coordination, allowing for international implementation, would increase the efficiency of such a source, limiting its distorting effects.

Multilateral financial institutions like Green Climate Fund, Adaptation Fund, GEF etc. should be the main instruments used to channel financial resources to developing countries for projects, programs, policies and other activities to finance activities like National Adaptation Plans (NAP) and Nationally Appropriate Mitigation Action (NAMA) submitted to the UNFCCC. However, in accordance with the polluter pays principle, and the principle of Common but Differentiated Responsibilities and Respective Capabilities, it is the developed nations that historically have the greatest responsibility for climate changes. Giving loans to developing countries to tackle climate change shifts this responsibility and lays it at the doorstep of poorer countries. Climate finance to developing countries through the Green Climate Fund should be in the form of grants, not loans.

Recommendations

The outcome document from Addis Ababa should include the following commitments:

- Establish **a follow up mechanism** on the commitment from developed countries to **provide climate finance of at least USD100 billion annually by 2020**, a substantial part of this should flow **through the Green Climate Fund.**

- Climate finance to developing countries through the Green Climate Fund should be in the form of **grants, not loans**.

- Climate finance must be balanced, **allocating a larger share of the resources to adaptation purposes than what is currently the case**.

- **A multilateral initiative towards creating a global price on carbon**, to contribute to the multilateral climate finance institutions. This could be done through a system of tradable offset quotas in a carbon market, or taxation, or both.

- **Phasing out harmful fossil fuel subsidies**

Military spending

UN member states continue to spend more than $1700 billion per year on defence (SIPRI figures), from which some 100 billion dollars a year are devoured by the nuclear weapons industry. One year of military spending equals well beyond 600 years of the regular budget of the UN.

Rich and poor states alike are entering into even stronger arms races than we have seen in a long time, spending more and more on armaments whilst mostly being unable to meet the basic needs of their populations, or, in the case of rich countries, to reach the agreed UN target of 0.7% (of GNP) for development assistance.

The current financial crisis has prompted many of the world's governments to reduce spending on critical human needs: confronting climate change and pollution, battling deadly diseases, implementing human rights and achieving the Millennium Development Goals. Thus, peace and disarmament is becoming a question of survival for people and for the planet. Besides, as history shows, excessive military expenditures are also ineffective means of obtaining human security and a culture of peace.

The huge availability of arms, militaristic attitudes and wars are enormously hampering factors for development, well documented through recent research publications. The military industry and military activities are also providing more serious pollution than previously acknowledged. Yet, disarmament has been almost totally absent from the debate on the UN Post Development Agenda, even though disarmament is at the very heart of the UN mandate.

Already the UN Charter warns against "resources diverted from economic and social purposes", and recent UN processes search for innovative financing for development. In the chapter of the Agenda 21 of the Earth Summit (1992) focusing on the financial aspects of development, the action plan lists 'reducing military spending' as one of the possible 'innovative financing' mechanisms for development. However, this idea has not as yet been carried over into states' budgeting practices – nor has it been featured in the many subsequent international conferences on innovative financing for development.

Ban Ki-moon frequently repeats that "The world is over-armed and peace is under-funded". This is also the title of a UN exhibit on the relationship between military and development spending. Using the figures for 2010, the exhibit juxtaposes global military expenditure and the UN budget. The comparisons are shocking: military spending was 12.7 times higher than overall Official

Development Assistance ($128 bn), 604 times higher than the combined regular UN budgets for Peace and Security, Development, Human Rights, Humanitarian Affairs and International Law ($2.7 bn), and 2508 times higher than the expenditures of the (UN) International Disarmament and Non-Proliferation Organizations ($0.65 bn). Redirecting these funds could go a long way towards making the world more secure from a human needs perspective.

According to World Bank figures, only some 10 % of the annual military costs would be enough to meet the Millennium Development Goals. Despite progress to halve the world's poverty, hunger, illiteracy, AIDS and child mortality by 2015, and provide better basic health care, improve maternal health and bridge the gender gap in opportunities, there is a constant lack of resources to meet people's basic needs.

A substantial, global and controlled reduction of the world's military expenditure would be essential in order to finance needed development.

Recommendations

The outcome document from Addis Ababa should commit to:

- A 10% yearly reduction in military spending world wide in the period 2015 – 2030 for the benefit of the new sustainable development agenda.
- A broad ratification of the Arms Trade Treaty and heavy taxation of the arms trade.

Official Development Assistance

The commitment from developed countries to provide 0.7 % of GNI to ODA was reaffirmed in both the Monterrey and Doha reports. Although a handful of countries have fulfilled their commitments, most donor countries still fall short of the 0.7 % goal post, with ODA totaling at USD 134.8 billion[3], or 0.3 % of GNI from OECD donors in 2013[4].

Although other flows, if harnessed correctly, can have a much larger impact on developing countries' ability to follow through on post-2015 commitments, ODA will still remain an important part of development finance. This is especially true for the least developed countries (LDCs), where ODA is still the largest external financial flow by far, accounting for 70% of all external flows.[5]Therefore it of crucial importance important that the 0.7 % of GNI commitment is reaffirmed in FfD, and that a mechanism is included to ensure that donor countries follow up on this commitment in a timely manner.

The quality of ODA is equally important – but is consistently undermined by the bad practices of donors. Donors are increasingly giving ODA as loans – up to a third of total aid in 2013 – despite vague rules allowing profit-making loans to be counted as ODA, which could mean aid being inflated by as much as $70 billion per year. Other loopholes in ODA reporting rules allow donors to report refugee costs and student costs in their own countries as ODA – inflating ODA by an

[3] http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm

[4] http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm

[5] http://www.oecd.org/dac/externalfinancingfordevelopment/documentupload/Where%20paper.pdf

estimated $2.7billion in the EU alone in 2012. Many donors continue to tie their ODA to the purchase of goods and services from their own companies – increasing costs significantly, and ruling out the 'double dividend' of stimulating the recipient's economy through purchasing locally.

Recommendations

The Addis Ababa outcome document must include the following overarching elements:

- **Reaffirming** the commitments of developing countries to provide **at least 0.7 % of GNI** to ODA, with a clear commitment to LDCs
- A **follow-up mechanism** to these commitments
- ODA should be **genuine transfers to developing countries,** meaning an end to tied aid, removing in-donor costs from ODA, and counting only genuine costs of concessional loans

Civil society participation in the Ffd-process

We welcome the contextual analyses in the ICESDF report, which underline that one billion people continue to live in extreme poverty, and refer to the growing inequalities and challenges for closing the gap between economic and social groups. Poor and marginalized people have limited space to influence national and international policies and how domestic and global resources are utilized and distributed.

As the new sustainable development agenda aims at being people-centered and "for all", the voices of the poor and marginalized must be listened to. **Meaningful participation from economic and socially marginalized groups must be ensured to influence the FfD-discussions**. We therefore suggest that the voices of Southern-based networks and representative organizations from the global South are invited to the table.

We believe that the voices of people who experience the effects of climate change, conflict, debt, financial crisis and unjust domestic public spending must be listened to. These are the people who need to hold their national governments accountable and the international community responsible for how resources are utilized and distributed. We therefore suggest that **resources must be allocated for the poor and marginalized through their representative organizations to voice their priorities and ideas** for sustainable solutions.