Civil Society Financing for Development Mechanism Regional Briefing

ASIA
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# Table of Contents

1 Introduction .................................................................................................................. 4  
   1.1 Time for a People- and Planet-Centered Recovery ............................................ 8

2 Cross-cutting Themes .......................................................................................... 10  
   2.1 Gender 10  
   2.2. Youth 11  
   2.3 Persons with Disabilities 12

3 FfD Thematic Areas .......................................................................................... 13  
   3.1 Debt .................................................................................................................... 13  
   3.2 Domestic Resource Mobilization ......................................................................... 18  
   3.3. International Development Cooperation ......................................................... 23  
   3.4. Private Finance ................................................................................................. 27  
   3.5. Global and Regional Trade .............................................................................. 32  
   3.6. Technology ........................................................................................................ 35  
   3.7. Systemic Issues ................................................................................................ 41

4 How to Engage in the Financing for Development Process? ............................... 43  
   Annual Asia Pacific Forum on Sustainable Development (APFSD) .................... 43

5 What is Next? ....................................................................................................... 44

Endnotes ................................................................................................................. 45
1 Introduction

Asia is a complex region full of asymmetries. It is home to some of the world’s largest economies, several emerging economies, as well as least developed countries. Before the pandemic hit, the region was seen as an engine of economic growth and a primary beneficiary of globalization. The rapid growth of production networks helped by economic liberalization and deregulation policies transformed Asia into a global manufacturing hub, with China at the center.

Neoliberal roots of the COVID-19-induced health and economic crises

COVID-19 exposed the vast weaknesses of an economic system that is highly globalized and that produces massive inequality. Lockdown measures to control the spread of the virus led to work stoppages and other disruptions in the supply chains in the region. Contraction in trade is estimated to be around 10%\(^7\) while estimated GDP losses for the region are 6.0%–9.5% in 2020 and 3.6%–6.3% in 2021.\(^8\) In the first three quarters of 2020, “greenfield”\(^1\) FDI dropped by 40% compared to the same period in 2019. Increased financial integration both from within and outside Asia exposed the region to higher economic vulnerabilities. During the pandemic, emerging markets in Asia experienced large and fast capital outflows. Foreign portfolio investors pulled out a record Rs.1182 billion (USD16 billion) from financial markets in India in March 2020, while in Thailand outflows were more than 1% of GDP.\(^9\)

Structural adjustment programs prescribed by the International Monetary Fund (IMF) and World Bank (WB) during the 1980s and late 1990s as loan conditionalities included public spending cuts to guarantee debt repayments. These have largely resulted in the reduction of public spending and privatization of public services, leading to lack of access to social protection, including limited access to affordable and quality healthcare. In the Philippines, for example, structural adjustment programs from 1986

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1 A form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees.
to 2000 have resulted in directing the country’s health agenda towards privatization through, among others, increasing the role of the private sector in the delivery of health services, as well as making hospitals fiscally autonomous.10

The cutback in health spending has negatively impacted access to health, as well as the ability of governments to effectively address COVID-19. In 2014, the Organization for Economic Co-operation and Development (OECD) estimated that Asian economies spent just over USD 730 per person per year on health compared to USD 3,510 in OECD countries. While the share of public spending in total health spending is at 48.1% in Asia, in the OECD countries, it is 72.7%.11 The lack of support for public health translated to horrific events during the COVID-19 pandemic as healthcare systems in the region struggled to meet demands for treatment. This situation is further worsened by the spate of pandemic borrowing in the region, which has led to heightened debt-to-GDP ratios (see section on Debt), signaling a possible debt crisis, austerity measures, higher debt servicing, and less spending for public services.

**Worsening poverty, hunger, job precarity and inequality**

The negative macroeconomic effects of COVID-19 translate to much worse impacts on people’s lives, especially for the vulnerable and marginalized. It also creates major setbacks to the achievement of the 2030 Agenda and the Sustainable Development Goals (SDGs) in Asia. The pandemic worsened already existing inequalities and widespread economic insecurity, hunger, precarious work, and lack of access to social protection.

The economic difficulties caused by COVID-19 pushed an estimated 75 million to 80 million more people in Asia into extreme poverty.12 Small farmers and Indigenous Peoples who have been suffering from decades of agricultural liberalization and resource extraction in their lands experienced increased misery. This happened as falling farm gate prices and lack of transportation from farms to markets devastated their livelihoods, pushing them deeper into poverty and debt. Meanwhile, rising retail prices and loss of jobs and incomes pushed billions into hunger. According to the Food and Agriculture Organization (FAO) in 2021, an estimated 1.1 billion people in the region experienced moderate or severe food insecurity in 2020, an increase of 341.9 million, or 44.4% from 2014. Of that large increase, 148.9 million occurred from 2019 to 2020, when COVID-19 resulted into loss of jobs and income, and consequently, loss of access to food.13

Before the pandemic, work in both the service and manufacturing sectors connected to global supply chains, as well as the informal sector, had already been marked by precarity14 wherein workers receive low wages, no job security, and less to no social protection and benefits. This precarity was worsened during COVID-19, with women bearing most of the brunt (see Box 2 and Section on Women and FfD). In 2020, working-hour losses totaled the equivalent of 140 million full-time jobs.15 The ILO estimated that in 2020, nearly 1.6 million jobs, or nearly one third of job losses in Brunei Darussalam, Mongolia, Philippines, Thailand, and Viet Nam are in the tourism sector.16 As tourism plummeted and the global demand for manufactured products went down, workers had to deal with paycuts and loss of benefits such as paid leave. An IMF working paper in 2020 estimated that changes in the average monthly wage in jobs that are essential, non-teleworkable, and social (those that require physical contact) were between -1 to -6 percentage points.16 In South Asian countries Bangladesh, India, and Pakistan, the poorest third of the population relying on the informal economy lost 9, 13, and 16% of their incomes, respectively.17 The lack of social protection and other forms of support such as access to credit put informal workers in a much dire situation compared to workers in the formal sector.

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ii Precarious work is defined by ITUC as limited phenomenon concerning the deterioration of the once-standard direct, indefinite employment relationship in the formal economy. It refers to 1) the use of short, fixed-term (‘temporary’) employment contracts for work that is permanent (or at least ongoing) in nature; 2) the intentional misclassification of a worker as a self-account, independent contractor hired under a commercial contract when he/she should be classified as a worker hired under an employment contract (we could include here other ‘commercial’ contract arrangements such as sham cooperatives); and 3) indirect (or “triangular”) employment relationships, meaning the use of various kinds of intermediaries (subcontractors, employment agencies and labour dispatch companies) to perform work that is not ancillary to the work of the company.
As COVID-19 pushed millions into poverty and hunger, the super-rich became richer. In India for example, billionaires increased their wealth by 35% during the lockdown. Billionaires’ wealth in the Philippines also increased by 30% in the middle of the pandemic.

The convergence of COVID-19 and disasters caused by climate change present increased economic and social risks for the region. Asia is already facing longer and drier droughts, stronger and more frequent typhoons, rising sea levels, and other disasters that negatively affect the health and livelihoods of the peoples in the region. The emergence of new COVID-19 variants due to vaccine inequity provide another shadow to the prospects of recovery (see Box 3). This combination of continuing COVID-19 crisis and climate-induced risks can increase poverty and increase pressures on already overburdened social systems.

**BOX 1: WOMEN IN THE GARMENTS SUPPLY CHAINS DURING COVID-19**

Export-led growth is a widely promoted development strategy which focuses on a country’s ‘absolute’ and ‘comparative’ advantages in international trade. In the case of Asia, the abundance of cheap labor has been used by governments to attract global manufacturing firms to expand commodity exportation. Export processing zones which offer facilities and other financial incentives to foreign investors have been built in countries such as China, Indonesia, Philippines, and India to facilitate investment in commodity exports. The search for cheap labor and the embrace of trade liberalization by most countries in Asia enabled manufacturing firms, especially those that produce garments, to set up shop in less developed countries in the region such as Cambodia, Myanmar, and Bangladesh.

COVID-19 brought massive disruptions to production networks in Asia. Lockdowns that were implemented to attempt to curb the virus, along with reduced consumption from the West, meant closures of factories, including those producing garments destined for Western countries. A large majority of the workers in the global apparel supply chain is made up of women. According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), about 80% of the 4 million workers (3.2 million workers) employed in its members’ factories are women.

Brands and retailers canceled orders from garments factories based in Bangladesh because of the slump in the demand for apparel. This resulted in lower unit prices, smaller order sizes/values, a downward pressure on factories’ mark-up, the cancellation of orders, and delays in buyers’ payments. This led to partial or complete shutdowns of the factories, decreased work hours, cuts in bonus payments, as well as unemployment of workers. In March 2020, more than one million garment workers in Bangladesh who lost their jobs often were sent home without pay or severance compensation. In a survey commissioned by Fair Wear, workers reported arbitrary and informal methods to retrench workers; a lack of notice period was observed, and not all workers received their due wage or overtime allowance after being retrenched.
Prospects for a people-centered recovery in Asia are dampened by the appearance of new COVID-19 variants. Vaccine inequity does not help improve the situation. As the virus is allowed to circulate more, it mutates. Which can lead to more possible variants that can result in more waves of infections, hospitalizations, and renewed lockdowns. While countries in Asia have recently increased their vaccination rates, their access to vaccines has been delayed due to vaccine hoarding by developed countries despite WHO warnings. Within Asia, the gap between developed economies and less developed ones in terms of access to vaccines is stark. According to the IMF in October 2021, advanced economies had already secured vaccines to get their populations fully vaccinated within the year. On the other hand, emerging economies only have enough vaccines for half of their populations.

Vaccine inequity also affects developing countries in other regions, especially in Africa where, as of December 2021, only 8% of the region’s eligible population is vaccinated. In October 2020, India and South Africa requested that the World Trade Organization consider a temporary waiver to suspend intellectual property obligations under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement on vaccines and other medical products needed to control the COVID-19 pandemic. Admittedly, the vaccine is not the sole solution to ending the pandemic. But the TRIPS waiver can help make the production of life-saving products for developing nations affordable by temporarily eliminating some of the barriers to the access of knowledge in producing the vaccine and other medical products for controlling COVID-19.
1.1 TIME FOR A PEOPLE- AND PLANET-CENTERED RECOVERY

This is the time for civil society organizations (CSOs) and social movements from Asia and all over the world to unite under a strong call for a systemic transformation of the global financial architecture and global division of labor, towards a just, green, and feminist recovery post-COVID-19. And the UN, as the only global institution mandated to address economic and social challenges where developing countries have an equal say, is the space to do so. This is where the UN Financing for Development (FfD) process comes in – as a space to advance on the systemic changes we urgently need to see.

CSOs have been involved in the FfD process from the very beginning. Their coordination body, the CS FfD Mechanism, has been active in its present format (Global Social Economy Group — GSEG listserv) since the Doha FfD Review Conference in 2008, though many of its members are engaged since the Monterrey FfD Conference in 2002. It is an open virtual list containing several hundreds of organizations and networks from diverse regions and constituencies around the world, including farmers, indigenous peoples, women, youth, and scientists. Since its formation, the group has been engaging the FfD process through joint advocacy and campaigning, writing position papers and targeted statements, advancing CSO positions and allocating representatives to official sessions, doing joint evaluations of official papers, media work, street protests, among others.

BOX 3: THE FFD CONFERENCE AND THE ASIAN FINANCIAL CRISIS

The first FfD Conference was held in the aftermath of the Asian Financial Crisis (AFC) of 1997. The crisis was borne out of improperly managed domestic financial deregulation and capital account liberalization, where governments failed to rein in excessive private sector foreign borrowing and failed to regulate the lending activities of their banking sectors when they became too aggressive. Currency devaluations, high inflation rates which raised the prices of food and other basic goods, unemployment, and loss of income—these all contributed to increased poverty and widened inequality. The response of the IMF was the standard mix of deregulation, privatization, and austerity measures that cut public spending and tightened credit to ensure that foreign creditors would still be repaid instead of ensuring that local businesses remained open and designing packages that would subsidize food and fuel to alleviate the impacts of the crisis. These policies were included in the ‘rescue’ programs implemented in South Korea, Thailand, and Indonesia. In Thailand for example, public spending was reduced, the Value Added Tax (VAT) was increased from 7% to 10%, and the IMF insisted on the privatization of public enterprises.

In 1997, the UN General Assembly (UNGA) adopted the Agenda for Development, which called for the consideration of holding an international conference on financing for development. The first International Conference on Financing for Development (FfD) happened in Monterrey, Mexico, in 2002 i.e from which emerged the “Monterrey Consensus”. The conference was an attempt to recover the UN’s voice on the global economic and financial system. Developing countries and civil society sought to reform the global financial architecture, and continue to do so, into a more democratic and development-enhancing system. They put key issues on the agenda of the Monterrey Consensus, such as developing countries’ participation in international economic decision-making and reform of the international financial architecture.
Among the demands of the CS FfD Mechanism are:

- Establish debt cancellation and sovereign debt workout mechanism at the UN that will address unsustainable and illegitimate debts and will bring down debt levels to enable countries' long-term financing needs to pursue the SDGs, climate goals, human rights and gender equality commitments.

- Institute a UN tax convention that will create a truly universal, intergovernmental process at the UN to comprehensively address tax havens, tax abuse by multinational corporations and other illicit financial flows that obstruct redistribution and drain resources crucial to challenging inequalities, particularly gender inequality.

- Initiate a global technology assessment mechanism at the UN that will facilitate broad, transparent, inclusive, accessible, and participatory deliberations on the current and potential impacts of technologies on the environment, the labor market, livelihoods and society.

- Assess development impacts of the current trade and investment framework which will include moratoria on new trade and investment agreements and Investor-State-Dispute-Settlement (ISDS) mechanism; and supporting the ongoing negotiations for the UN Binding Treaty on Business and Human Rights under the open-ended intergovernmental working group on transnational corporations and other business enterprises with respect to human rights.

- Assess systemic risks posed by unregulated or inadequately regulated financial sector instruments and actors. In order to regulate the financial sector effectively, countries will need to agree on a UN framework on supervising financial institutions, credit rating agencies and hedge funds; ban short selling and increase regulation/surveillance of high-frequency trading; capital account management to prevent capital flight and limit speculative trading; allocate new Special Drawing Rights (SDRs) that are commensurate with the level of need among developing countries.

- Review development outcomes of public-private partnerships (PPPs) and 'private finance first' approaches. Governments need to declare moratorium on funding, promoting or providing technical assessment for PPPs and ‘private finance first’ approaches until an independent review into their development outcomes is completed. The World Bank Group's Maximising Finance for Development (MFD) and related approaches should also be rejected as it implies a problematic and rather unrealistic assumption that private finance will appear to fill the financing shortfalls.

- Review of the Official Development Assistance (ODA) framework to ensure that partnerships for sustainable development comply with the local ownership of development processes, whereby all relevant stakeholders, including local communities and CSOs can be actively involved. DAC members should immediately reverse the decline in ODA as a share of GNI, fulfil and where possible exceed the 0.7% target for ODA in the form of unconditional grants and technical support, and ensure that aid is aligned with developing country priorities without conditionalities.

- Organize the next UN Summit on Financing for Development in 2025 to address the urgent need for a new global consensus on an economic system that works for people and the planet.
Informality exposes women and men differently. Women are found to be in the most vulnerable segments of the informal economy, working for example as domestic workers, home-based subcontracted work on a piece-rate basis such as those in the garments industry, or digital home-based work, or contributing family workers who are often unpaid.

With lockdown measures and stay-at-home policies, women face increased exposure to gender-based violence. Their unpaid domestic and care work has once again stepped up, increasing the already huge subsidy to the global economy, and reinforcing patriarchal norms in many societies. In Asia, women do 4.1 times more unpaid care work than men, which involves tending to others, cooking, cleaning, fetching water and firewood, and other non-market essential daily tasks within households.

The pressure to perform unpaid care work is increased as children stay at home due to school closures and as family members get sick.

The share of women in lower-waged care work is also high: 79%-81% of the nurses in the region are women. They are exposed to patients with COVID-19 and yet are poorly paid and often, unprotected. In India, women community health workers visit at least 25 homes each a day to screen suspected patients in both rural and urban areas, often without personal protective equipment (PPE), and are not given a fixed compensation.

Nurses in the Philippines are the lowest paid in Southeast Asia, earning 57% less than the next lowest paid nurse in Vietnam. Despite exporting healthcare workers abroad, the Philippines suffers from understaffing of hospitals, with the average nurse to population ratio of one to 5,000, which can go as high as one to 20,000 in rural areas. This took an immense toll on the nurses in the Philippines during the pandemic who had to take multiple shifts amid rising cases and shortage of PPEs.
2.2. YOUTH

Youth are also partners in development who need an enabling environment including living wages, safe working conditions, social security, social protection floors, and affordable and quality education at all levels.

The youth's prospects for a bright future are threatened by climate change. The unaddressed rise in global temperatures caused by the extractive global economic system poses serious dangers to life on the planet, a future which the youth will inherit. As climate change continues to intensify, environmental disasters and even more pandemics similar to COVID-19 are in store for the future.

COVID-19 reversed gains for the youth, including in education. Improvements made in access to education are threatened to be reversed as more than 300 million children in Asia are affected by school closures. Access to distance learning has been difficult for many who live in areas without internet access. In 2018 and 2019, only the following countries have at least 70% of their population with access to the internet: South Korea, China, Malaysia, Kazakhstan, Iran, Cambodia, Thailand, Singapore, Vietnam, Japan, and Uzbekistan.

Unemployment is higher among young people, standing at 13.8% in 2019 compared with 3% for adults. Without much experience, young people are often obliged to work in less-secure, lower-wage employment, frequently with limited legal rights, social protection, and representation. Around 80% of young workers were found to be employed informally and around 25% of young workers were living in moderate to extreme poverty. Without decent work, young people find it hard to establish lives with dignity and invest in their future. COVID-19 has worsened this condition because of layoffs, reduced working hours, and disruption in education which young people need to advance their careers and help them move from school to work.

Aside from access to social protection and employment programs, the impacts of COVID-19 call for policy interventions that will ensure education continues for the youth, including digital inclusion. Though access to education has improved in recent years, many countries in Asia still spend lower than the UNESCO spending recommendation equivalent to 4%-6% of GDP. In 2018 and 2019, only 10 countries in the region spent at least 4% of their GDP on education. According to UNICEF, COVID-19 will increase the required budget up to 9.6% (from current spending) between 2020-2030 to achieve SDG 4.
2.3 PERSONS WITH DISABILITIES

Persons with disabilities are often forgotten and left behind in development policies. Every day, they face huge challenges in accessing services and jobs. Persons with disabilities in Asia are on average two to six times less likely to be employed. If employed, they are mostly found in low paying jobs, in the vulnerable informal sector, or are considered as expendable workforce. This leaves persons with disabilities without access to social protection; in most developing countries in Asia such protection is limited to social insurance available to those with formal employment. Women and girls with disabilities face additional barriers as they have lower employment rates than men with disabilities and often lack access to health services, including those on reproductive health. Persons with disabilities are also often not included in disaster risk reduction plans with only nine countries reporting to have emergency shelters and relief sites that are accessible to persons with disabilities.

These pre-existing vulnerabilities have made people with disabilities more vulnerable and at risk during the COVID-19 pandemic. Studies conducted by disability and inclusion groups noted that there were limited efforts to reach people with disabilities. Critical information in formats accessible to those with hearing and visual impairment was often limited. Severe disruptions in healthcare services caused delays in needed health services. Job losses were experienced, and reductions of income were as high as 52% in Cambodia and 65% in Bangladesh. Where cash or other subsidies were available, they were considered insufficient as payments only covered basic needs, not the higher costs associated with having a disability.
Many developing countries, including those in Asia, were already trapped in a cycle of indebtedness to multilateral (international financial institutions like the WB, IMF), bilateral (other governments) and private creditors (private banks, private bondholders, and other private financial institutions) before the pandemic. Public and publicly guaranteed external debt of developing countries in the region more than doubled in absolute terms, from USD727 billion in 2009 to USD1.47 trillion in 2019, which represents an annual average growth rate of 7.3%.40

Aside from bilateral and multilateral debt, the region’s developing countries also have outstanding sovereign bonds, private non-guaranteed external debts, and short-term debts which are increasingly being relied upon. Increased reliance on these forms of debt also increases the exposure of countries to rollover risks and the need to bailout private debtors such as banks or large corporations when a crisis hits. Many countries in the region are also still saddled by illegitimate debt, including those incurred by dictatorships and corrupt authoritarian governments.

Developing countries in the region face an increased estimated fiscal deficit from 1.5% of GDP in 2019 to 6.8% in 2020 and 5.6% in 2021.41 Consequently, public debt-to-GDP ratio is projected to increase from 51% in 2019 to 61% in 2020 and 63% in 2021. Countries such as India, Sri Lanka, and Maldives are expected to increase their debt to GDP ratio to 89.9%, 104.8%, and 107.8% respectively.42 In Kyrgyzstan and Tajikistan, debt reached 71% and 49% of GDP respectively.43 Debt distress, a condition wherein governments struggle to pay their external debts, tend to occur once payments...
reach 14% to 23% of a government’s revenue. As of January 2022, countries at high risk of debt distress include Afghanistan, Lao PDR, Maldives, and Tajikistan. Including the Pacific Small Island Development States of Kiribati, Marshall Islands, Micronesia, Papua New Guinea, Samoa, Tonga, and Tuvalu, the total of countries in high risk of debt distress in the Asia-Pacific region stands at 11.  

In solidarity with the people of Sri Lanka and Pakistan

Unconditional and immediate cancellation of unsustainable and illegitimate debts of Sri Lanka, Pakistan, and all countries of the South!

Debt and climate justice NOW!

The term “debt distress” as defined by the IMF reflects a lenders’ perspective wherein the focus is the failure of a borrower country to meet its payment schedules. It does not capture human rights concerns that come with high levels of debt. To reflect human rights concerns, an alternative risk analysis developed by the Jubilee Debt Campaign pegged the external debt servicing-to-government revenue threshold to 15% as public spending for economic and social rights tend to decline at this level of external debt payments. Using this alternative threshold, Bhutan, Indonesia, Mongolia, Pakistan, and Sri Lanka are already in debt crisis; Kazakhstan, Kyrgyzstan, New Zealand, and Australia are at risk of private debt crisis; Nepal and Vanuatu are at risk of public debt crisis; while Papua New Guinea is at risk of both public and private debt crisis.

High debts and interest payments lead to higher debt servicing requirements which siphon resources away from public spending on education, health, social protection, and even from responding to the climate crisis. Debt service payments have even increased during the pandemic. In South Asia, debt servicing as percentage of government revenue increased from 7.9% in 2011 to 27.1% in 2020. In East Asia and Pacific, it increased from 5.7% in 2011 to 14.7% in 2020.

**Increasing Debt Service as % of Government Revenues (2011-2020)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Asia</td>
<td>8%</td>
<td>9%</td>
<td>27%</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>6%</td>
<td>6%</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Source: Eurodad*
Responses to government resource constraints during COVID-19 ultimately promote more debt and do not address the roots of indebtedness of developing countries. Multilateral support was largely in the form of loans whereas grants and debt relief account for only less than 0.1% of total support. Countries in Asia-Pacific also need to pay USD 4.1 billion in debt servicing to multilateral lenders in 2020-2021.\(^48\)

The G20’s Debt Service Suspension Initiative (DSSI) postponements on debt service payments only provided short-term relief to indebted countries. It also barely made a dent in the huge amounts that developing countries must pay in debt service. The DSSI allowed the suspension of USD 5.3 billion in debt service in 2020. In comparison, developing countries paid USD 372 billion in 2020, or more than 70 times the value of the DSSI’s debt suspension for the same year.\(^49\)

The G20 Common Framework for Debt Treatments Beyond the DSSI (G20 Common Framework hereafter) was agreed upon by the G20 in November 2020 to further tackle the issue of unsustainable debt among low-income countries. Among its supposed value-added is the inclusion of both Paris Club and G20 creditors, particularly China which is currently the world’s largest lender. This will supposedly allow coordination and comparable treatment among lenders. However, the participation of private lenders is creditors only voluntary, which is problematic as more and more countries are being exposed to commercial lenders. So far, only four countries, Chad, Ethiopia, Zambia and Ghana have applied to debt restructuring through the Common Framework. Only Chad concluded the process, with no reduction to the country’s overall debt burden.\(^50\)

Both the DSSI and the G20 Common Framework have limited capacity in addressing the debt crisis faced by developing countries because access to both mechanisms is limited to low-income countries, effectively excluding middle income countries from accessing debt relief through this framework. Most Asian countries were not eligible to the DSSI because of their middle-income status and most of their debts are held by multilateral and private creditors. Without the mandatory participation of private lenders in the G20 Common Framework, Asian countries will also fail to find relief from their commercial debt. Another problematic feature of these mechanisms is they are designed by creditors themselves, with little to practically no participation from countries in the Global South whose people will carry the burden of the consequences of these decisions. Disregard for the real needs on developing countries in relation to debt treatment impedes the prospects for a people-centered recovery in the Global South and further endangers people’s access to health, education, and social protection.

Despite the threat of debt faced by both low-income and middle-income countries, the IMF-WB, the G20, and the Paris Club have not expressed any concession to calls for debt cancellations, not even for illegitimate debt. According to the G20 Common Framework, “debt treatments will not be conducted in the form of debt write-off or cancellation”.\(^51\) This discourages debt cancellations and guarantees that the lenders can still earn profits from the suspended debt payments in the future.

Meanwhile, debt-for-climate swaps are also being proposed. By forgiving debt in exchange for a commitment by the debtor countries to use outstanding debt service payments for national climate programs, it is hoped that the debt burden to developing countries can be eased while channeling resources to climate action. However, debt-for-climate swaps do not really address the lack of financing for climate response, including loss and damage, and lifts the responsibility from developed countries to pay their climate debt instead of providing real additional financing.
In response to these injustices and challenges the CS FfD Mechanism’s proposals are:

- A debt architecture reform agenda for real change and real solutions.
  - As civil society, we call on governments to establish a debt workout mechanism—a transparent, binding and multilateral framework for debt crisis resolution, under UN auspices, that addresses unsustainable and illegitimate debt and provides systematic, timely and fair restructuring of sovereign debt, including debt cancellation, in a process convening all creditors.

- Such a binding, multilateral framework should urgently address:
  - Supporting and providing immediate debt cancellation: Debt sustainability consistent with the SDGs and human rights can be achieved through an ambitious process of debt restructuring, including extensive debt cancellation. Debt cancellation must be granted to all countries in need, including to both low- and middle-income countries, assessed with respect to their development financing requirements, and provided by all creditors (bilateral, multilateral, and private). Illegitimate debts must be immediately cancelled.
  - Building global consensus on Principles on Responsible Borrowing and Lending: There needs to be urgent progress on the long-pending issue of agreeing on common and binding principles on responsible borrowing and lending, and ensuring compliance with it. This should address the gaps in transparency and advance towards the creation of a publicly accessible registry of loan and debt data as well as facilitate the organization of debt audits.

- Using human rights and development impact assessments in debt sustainability analyses to widen their focus solely from economic considerations to also consider the impact of a country’s debt burden on its ability to meet development goals (including SDGs, climate goals, human rights and gender equality commitments) and create the conditions for the realization of all universal human rights.

- Assessing systemic risks posed by unregulated or inadequately regulated financial sector instruments and actors, including regulation and supervision of the asset management industry (shadow banking), regulation and supervision of Credit Rating Agencies and a new global consensus on the critical importance of capital account management beyond pre/post crises conditions, both with respect to inflows and outflows. The CS FfD Mechanism’s detailed submission to the UN Independent Expert on poverty and human rights on the ‘role of credit rating agencies’ can be accessed here.
3.2 DOMESTIC RESOURCE MOBILIZATION

Taxes are one of the major sources of government revenue to fund public services such as education and health, and to realize human rights. However, neoliberal reforms such as deregulation of capital and exchange controls, lowering of trade and tariff barriers, privatization of industries and services, reduced tax rates, and lower public spending have reduced state capacity to raise and mobilize domestic revenue. As a result, most countries in Asia have low tax-to-GDP ratios. The average tax-GDP ratio in Asia (including the Pacific) is 21%, which is lower than the OECD ratio average of 33.8%.

Asian tax systems are also highly regressive. They rely heavily on Value Added Tax (VAT) or Goods and Services Tax (GST) rates that disproportionately hurts women, as their proportional share of VAT is much higher as a percentage of their total incomes. In 2019, the share of VAT and GST in the total taxation of the region is 49.8%, compared to personal income taxes at 17% and corporate taxes at 20.1%. The region also follows the global trend of steadily falling corporate tax rates. In 2021, the average corporate tax rate in Asia is 21.43%, followed by the EU average of 20.71% and the Europe average of 18.98%.

A race to the bottom occurs when countries compete in offering tax incentives such as low corporate income taxes, tax holidays, investment tax credits, among others, in attempts to attract foreign investors. In Asia, several countries have corporate tax rates lower than the regional average of 21.43%: Uzbekistan at 7.5%, Kyrgyzstan at 10%, Hong Kong SAR at 16.50%, Singapore at 17%, Brunei Darussalam at 18.58%; and Afghanistan, Cambodia, Kazakhstan, Taiwan, Thailand, Turkmenistan, and Vietnam at 20%. In the Philippines, Special Economic Zones which cater to foreign manufacturing and business process outsourcing can avail of the preferential 5% final tax on gross income earned from their registered activities and are also exempt from all national and local taxes. In the ASEAN, the average corporate tax rate has fallen from 25.1% in 2010 to 21.7% in 2020. However, if tax holidays and other incentives are factored in, the effective corporate tax rate is on average 9.4 percentage points lower.
Moving towards progressive tax systems is further hindered by illicit financial flows (IFFs), which are funds generated through a range of activities including tax evasion, misappropriation of state assets, laundering proceeds of crime, corruption; as well as tax dodging and tax avoidance by multinational corporations and the elite by abusing domestic tax laws, bilateral or multilateral tax treaties, and trade and investment agreements. The current broken international tax systems allow corporations to dodge taxes, shift income to tax havens and facilitate illicit financial flows (IFFs). Some countries in Asia have also set up their secrecy jurisdictions, such as Hong Kong, Singapore, and Dubai which market themselves as international financial centers.

Mechanisms developed to address global taxation challenges have largely been lacking. For example, the OECD/G20 tax deal’s extremely narrow base and unjust allocation of revenues robs developing countries of sovereign power to tax multinational corporations within their borders. Moreover, the proposed global minimum corporate tax rate of 15% gravely falls short of the objective to raise revenues in developing countries and sets a dangerous precedent for a global race to the minimum. This global tax deal is also negotiated in undemocratic and unequal platforms of the G7, the G20, and the OECD wherein membership is decided entirely by countries’ gross national incomes, and therefore, it is not surprising that the benefits are highly skewed towards the interests of the Global North.

Aside from regressive taxation and IFFs, misplaced priorities in public spending have also negatively affected government spending for public services and human rights. For example, military expenditure in the region (including the Pacific) increased by 2.5% in 2020 from 2019, amounting to USD 528 billion, and reflects a constant upward trend in the region since 1989. China and India account for 62% of this spending in 2020. Military spending in Southeast Asia also increased by 5.2% in 2020, with Singapore, Indonesia, and Thailand being the top spenders (USD 10.9 billion, USD 9.4 billion and USD 7.3 billion respectively). Military spending further diverts away public money...
from social spending: money that could have been used to fund improved access to water and sanitation, transport and information and communications technology (ICT) and developing human capacities and support basic human rights (USD 196 billion and USD 669 billion respectively in 2018) in the region.

Because of these drains on public money, governments are unable to fund public services, social protection, and infrastructure to address inequalities. This aggravates poverty and affects marginalized groups the most. All resources lost to tax havens and excessive military spending could have been invested in public hospitals, schools, transportation, clean water and sanitation, and in institutions or programs that promote gender, racial, intergenerational equality.

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**Comparison of Military Expenditure in Asia & Pacific vs. Budget Needed for Social Outcomes (2021, in Billion USD)**

- Develop human capacities & support basic human rights
- Improved access to water & sanitation, transport & information, & communications technology
- Military expenditure in Asia & Pacific

*Source: Stockholm International Peace Research Institute (SIPRI & International Institute for Sustainable Development (IIISD)*
During its 54th Annual Meeting, the Asian Development Bank (ADB) emphasized the need to increase domestic resource mobilization in light of COVID-19’s impacts on spending and tax revenues which in turn leaves little room for increased borrowing. To address falling tax revenues, ADB created a Regional Tax Hub which aims to “assist” Asian countries to adopt OECD processes and standards in taxation. This is hugely problematic as it is likely to exacerbate one of the flaws in the international tax architecture -- the dominance of OECD countries’ agenda and the inequality of decision-making on tax and fiscal systems in all levels.

If ADB is to be true to its word of seriously addressing domestic resource mobilization as one of the key steps in overcoming the multiple crises of economies, health and climate, it should begin with plugging the leaks which have been eroding the public funds of developing countries even before the pandemic. In addition to payments on unsustainable and illegitimate debts, the leaks include the overly generous fiscal incentives regimes across the region, including zero or light-tax special economic zones, that the ADB itself encourages in line with the premium it places on providing an enabling business environment for the private sector as the engine of growth.
To address these failures in a democratic setting, the CS FfD Mechanism calls for:

- Establishing a UN Intergovernmental Tax Commission and negotiating a UN Tax Convention:
  - Reject the OECD/G20 global tax deal and other initiatives, as called for by Asian CSOs, that reinforce inequalities in decision-making around global tax rules or serve only the interests of multinational corporations and a few elite countries. It is time to establish a truly universal, intergovernmental process at the UN to comprehensively address tax havens, tax abuse by multinational corporations and other illicit financial flows that obstruct redistribution and drain resources that are crucial to challenging inequalities, particularly gender inequality. During the UN General Assembly in 2022, UN member states agreed by consensus to a resolution tabled by Africa Group to begin intergovernmental negotiations towards such a framework on tax cooperation.
  - Taxing income, wealth, and trade should be seen to support the internationally agreed human rights frameworks, as without taxation we cannot mobilize the maximum available revenues. Tax abuse and tax avoidance also needs to be considered under the extraterritorial obligations of states towards other states to not hamper the enjoyment of human rights via blocking financing through abusive tax laws, rules and allowing companies and wealthy individuals to abuse tax systems.

Source: APMDD
3.3. INTERNATIONAL DEVELOPMENT COOPERATION

International Development Cooperation and Official Development Assistance (ODA) remain critical for development financing. Fulfilling the commitment made more than four decades ago to reach the ODA target of 0.7% of Gross National Income (GNI) remains the cornerstone of success.

Moreover, the quality of ODA is of much concern especially with the increase of loans and private sector instruments such as equity investments in bilateral aid. From 2010 until 2019, ODA grants have been steadily declining: from 72% in 2010 to 61% in 2019. Meanwhile, loans have steadily increased from 8% in 2010 to 14% in 2019. ODA loans and equity grew by 79% between 2010 and 2020, while grants grew by only 12% over the same period. Humanitarian assistance also increased from 20% in 2010 to 26% in 2019.

![Grants, Loans, & Humanitarian Assistance as Share of Total ODA (2010 & 2019)](chart)

*Source: Development Initiatives*
Despite warnings of debt crises, aid in the form of loans still increased during the pandemic. In 2020, the increase in ODA levels was also partially supported by the increase of loans given out by donors. France, Japan, and Slovak Republic for instance have given out loans that amounted to equal or greater than 50% of their bilateral aid. Kyrgyzstan for example received around USD 773 million to combat COVID-19 by August 2020. However, about 77% of the funds raised were loans while only 22.7% were grants. As of January 2022, the Philippines secured about USD 25.80 billion for COVID-19 response. Only USD 54.06 million or less than 1% are grants. The rest are funds from loans and government bonds. More loans increase public debt, which then increases pressure for debt servicing which chips away at resources from public spending.

The actual amount of ODA can also be inflated through means such as counting debt relief and vaccine donations as ODA. Including debt relief as ODA is double counting since the same loan is recorded twice in accounts. Counting donated excess vaccines as ODA is unacceptable as it dilutes the development mandate of aid, considering these were not purchased to address poverty, inequality and promote development in the first place. Ensuring that vaccines do not expire first and reach the poor further challenges the proposal.

The pressure to increase the mobilization of domestic resources and attract private sector funding present worrying trends as these may justify the non-achievement of promised ODA targets. These two elements are present in Integrated National Financing Frameworks, or the INFF, promoted by the Inter-Agency Task Force on Financing for Sustainable Development (IATF). INFFs aim to bridge a state’s sustainable development objectives and financing practice towards concrete and well-strategized actions. While INFFs call for country ownership of development objectives and strategies, they can also cement economic liberalization and deregulation policies, increase the push for public-private partnerships, expand natural resource extraction, and strive for creating “better business environments” at the expense of human rights to “maximize” national resources, while donors move away from grants towards loans and equity investments.

In Asia, there are 16 countries where INFFs are being developed. According to the INFF website (inff.org), Indonesia presents one of the “leading progress toward a more systematic, holistic approach to financing Indonesia’s national sustainable development objectives.” The country’s Development Finance Assessment (DFA) has a whole section discussing how the private investments can be further leveraged for development financing. Aside from supporting the government’s plans for PPPs and promoting FDI in PPPs for financing infrastructure and energy production, the DFA also recommends private sector input in the designing of investment policies and programs for sustainable development. In particular, it endorses the Forum Filantropi dan Bisnis SDGs for a better Indonesia (FBI4SDGs) to be the interlocutor for these inputs. FBI4SDGs consists of 11 member associations, which represent over 700 foundations and businesses. It has a Working Group on Advocacy and Regulation, which aims to advise government on relevant tax issues and on national and local regulations that may represent impediments to efficient and effective action by private sector players.

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iv It can be argued that these vaccines were in ‘excess’ because rich countries hoarded the supply which contributed to the restriction of access to vaccines by developing countries.

v Afghanistan, Bangladesh, Bhutan, Indonesia, Kazakhstan, Kyrgyz Republic, Lao PDR, Malaysia, Mongolia, Myanmar, Nepal, Philippines, Tajikistan, Thailand, Uzbekistan, and Vietnam
Increased private sector influence in development policy making and implementation can endanger democratically driven development as it moves government interests closer to private investors’ rather than being accountable to citizens and to upholding human rights. In a survey conducted by the Development Cooperation Forum (DCF) in 2019 and 2020, 36 out of 55 countries that answered that they have national development cooperation policies (NDCPs) in place. During the process of designing these NDCPs, the private sector (58%), multilateral and development banks (58%) were consulted more by the countries than national NGOs (50%) and trade unions (22%). In case studies conducted in the Philippines, India, and Kyrgyzstan, the lack of transparency in information and the lack of participation of civil society in the design and implementation of development cooperation initiatives for COVID-19 response have undermined monitoring efforts and accountability.
The CS FfD Mechanism proposes:

- **Review of the ODA framework:**
  - Partnerships for sustainable development should be aligned with the principle of democratic local ownership of development processes, whereby all relevant stakeholders, including local communities and CSOs are actively involved. We also call on donors to uphold the integrity of ODA and of the effectiveness agenda.
  
  - Call on DAC members to fulfill and exceed the 0.7% target for ODA, as well as the 0.15% to 0.2% target for Least Developed Countries (LDCs), prioritizing unconditional grants and technical support.
  
  - Call on all donors to ensure that development aid is not diverted from long term development objectives. It should reinforce both humanitarian/emergency response to crises and long terms goals of addressing structural barriers (e.g. implementing short-term pandemic measures while strengthening health care systems) and should be aligned with developing country priorities without conditionalities.

- **Reverse the trend of increasing preference over loans and equity investments over grants.** Make sure ODA is used to support social policies and improve the fulfillment of human rights instead of being diverted towards private sector instruments.

- **Given the risks of the paradigm that puts premium on big “private sector” in development, it is important to shift out of its current modes, from blended finance, the need for institutional investors’ finance to flow into developing countries, and even public-private partnerships. Instead, international norms must work towards actualizing, and not limiting, the right of peoples and their organizations to be primary decision-makers in the generation, allocation, and use of financial and non-financial resources.**
Various fora where financing for development is being discussed have largely promoted the following narrative: since meeting development objectives, including the Agenda 2030 and the SDGs, require billions if not trillions of US dollars which governments currently do not have, there is a need to attract and leverage private finance to bridge the financing gap. However, this narrative rarely questions the prime causes of narrowing fiscal space of governments that were discussed previously in this briefing. It also ignores the negative impacts of leveraging private financing on eroding the government’s role in development. Catalyzing private investment at scale may in fact be undermining public policy objectives aimed at sustainable development in the Global South, diminishing the role and capacity of the state to provide public services vital to ensuring human rights, development, and climate resilience, and leaving countries more vulnerable to debt crises.

Blended financing and public-private partnerships are two means being promoted by multilateral development banks and development finance institutions to catalyze private investments. In both means, public resources are used to de-risk private investments in the hope to attract private investors. For example, the World Bank’s Maximizing Finance for Development employs a Cascade decision-making system that prioritizes private sector solutions such as blended financing and PPPs to mobilize resources for sustainable development, including responding to climate change. The MFD is being piloted in several countries, including Indonesia, Vietnam, and Nepal in Asia. In Indonesia, the 2016-2020 Country Partnership Framework between the WB and the government includes sustainable energy among the priorities. A total of USD 650 million is reported for use in developing geothermal energy. A part of this fund comes from a USD 325 million loan from the World Bank loan which the Indonesian government will utilize to “unlock private sector investments,” in this case expected to be worth USD 4 billion.

Monitoring by blended finance group Convergence indicates that Sub-Saharan Africa and Asia are the first and second top destinations for blended financing. In 2020, East Asia and Pacific and South Asia accounted for 36% of blended capital. India, Indonesia, Vietnam, and Myanmar made it to the top countries with the largest number of blended finance transactions from 2018 to 2020. Globally, multilateral development banks (MDBs) and development finance institutions (DFIs) are the source of the most number (35%) of commitments to blended financing, followed by commercial investors (29%). Most blended financing were channeled to agriculture (28%) and energy (35%) which signal the targeting of climate outcomes in the promotion of climate smart agriculture and renewable energy.

The evidence of private finance’s sustainable development impact remains weak. Both the 2020 and 2021 Financing for Sustainable Development Report (FSDR) admit that 1) blended finance transactions’ “development impact [are] largely unknown”, and that 2) such deals focus on “bankability,” or whether it would turn a profit, instead of impacts. In the period of 2018-2020, direct beneficiaries of closed blended finance transactions are mostly project developers and corporates (61%) instead of small enterprises/entrepreneurs (27%) and small and growing businesses (22%). Even the mobilization promise of blended finance is unfulfilled since such transactions still have “mobilized only limited private finance in LDCs.”

PPPs on the other hand have shown substantial negative impacts on inequality and marginalization because of the resulting privatization and commercialization of services such as education, health, and water provision. In the Philippines, JICA supported the privatized...
Maynilad Water Service through PPPs in equity investment. The privatization of the company has led to controversy with its failure to provide adequate water for residents of West Metro Manila. Another concern is the hike of water tariffs by the company which deteriorated the access to water of the poor in the city. Similarly in India, a water service PPP in the city of Nagpur was mired in delays in their replacement of old pipes; limited daily supply of water for communities; and corruption allegations. The private “partner,” an Indian subsidiary of French transnational corporation Veolia, on the other hand, will earn an estimated EUR 387 million in revenue for the 25-year contract. There are implications for democratic accountability, as private actors are mainly accountable to their shareholders and not to citizens. Using ODA to mobilize private finance runs the risk of using public money to support private gains rather than development outcomes as they are beholden to their profit bottom lines. Governments’ desire to attract private funding and the lack of corporate accountability have led to human rights violations. According to CIVICUS’ report on environmental defenders for 2018-2021 noted that Latin America and Asia are the most dangerous places for environmental defenders. Laws have been in put in place to silence defenders from opposing extractive activities such as mining and logging,
palm oil and other agribusiness, as well as dam building. Global Witness in 2020 recorded 227 murders of land and environmental defenders, 40 of which occurred in the Philippines (29), India (4), Indonesia (3), Thailand (2), Nepal (1), and Sri Lanka (1).79

The recovery from the pandemic is recently being used to further justify the need to catalyze private finance. The ADB emphasizes, in its Asian Development Outlook 2021 chapter on Financing a Green and Inclusive Recovery, that blended financing can attract green and social projects through tax incentives and subsidies. Promotion of the use of public funds to leverage private finance should be questioned given their lack of clear development impacts and their possible negative impacts on access to services and human rights violations.
Governments like Indonesia and India have recently passed thousands of policy reforms meant to cut red tape and encourage private investments.

Among the aims of Indonesia’s Omnibus Law on Job Creation is to induce national industrialization through maximizing natural resources, attracting foreign investments, and adapting the labor force to the changes by the so-called Fourth Industrial Revolution. A key element of the Omnibus Law is investment liberalization which further opens the Indonesian economy to foreign investments and removes protection for micro-small, medium, and cooperative business from competition. Changes in the form of employment relations can reinforce the legitimacy of flexible modes of employment and can have negative implications in the regulations on remuneration and benefits, lay-offs, and severance compensation. Similarly, India also enacted in 2020 new labor laws that could potentially harm labor rights. Particularly, the Industrial Relations Code Bill introduced restrictions on the right to strike of workers, while adding flexibility on the part of employers to hire and fire and to impose arbitrary service conditions.

Modi’s government also legislated agricultural reforms composed of three bills that together are known as Farm Laws 2020: (1) Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; (2) Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020; and (3) Essential Commodities (Amendment) Act, 2020. Together, these laws allow private markets for the trading of agricultural produce, which removes access to the government-controlled wholesale markets or mandis at assured floor prices; clear the way for contract farming by private companies with farmers with no price regulations; and strengthen the influence of private companies in setting prices for cereals, pulses, oilseeds, edible oil, onion, and potatoes that were removed from the list of essential commodities. Farmers are to lose protection from market downturns and are made vulnerable to the increased power of agricultural private companies in setting prices of inputs and commodities, and in promoting pesticide and genetically modified plants.

In both countries, massive protests were launched to oppose the laws. Indonesian trade unions called for a three-day strike on October 6-8, 2020 while Indian farmers and social movements held year-long protests that started from September 2020 to December 2021. Widodo’s government pushed through with the Omnibus Law on Job Creation. While the Modi government pushed through with the labor laws, it did a U-turn and repealed the Farm Laws in 2020.
To address issues on private finance, the CS FfD Mechanism proposes:

- Review development outcomes of PPPs and ‘private finance first’ approaches

  We reject the World Bank Group’s Maximizing Finance for Development (MFD) and Asian Development Bank’s private sector approach that implies a problematic ‘private finance first’ attitude to development finance and rather unrealistic assumption that private finance will appear to fill the financing shortfalls. While donors and institutions promote a ‘Billions to Trillions’ narrative and blended finance, whose development impact is yet to be proven, the reality is they are not living up to their own commitments and are instead regressing.

- There is a need to reaffirm the centrality of public policies and investments, including in countries’ recovery agenda. We call on governments to declare a moratorium on funding, promoting or providing technical assessment for PPPs and ‘private finance first’ approaches until an independent review into their development outcomes is completed.

- Accountability and redress measures should be put in place for cases where rights were harmed by private sector investments. Ensure an international legally binding instrument to regulate, in international human rights law, the activities of transnational corporations and hold them accountable for human rights violations by supporting the ongoing negotiations for the UN Binding Treaty on Business and Human rights under the open-ended intergovernmental working group on transnational corporations and other business enterprises with respect to human rights.
The global trade regime propped up by the World Trade Organization (WTO) has largely locked in the liberalization and deregulation market reforms promoted by IMF and the World Bank. Together, these three institutions have swayed global trade rules in favor of large, industrialized countries and large multinational corporations at the expense of human rights.

While developed countries call for free flow of goods and services, they also want to impose strong intellectual property rules to protect their own competitive advantage. Intellectual property rules governed by the WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement have constrained access to science and technology that developing countries need. Trade liberalization and deregulation rules have contributed to large imbalances in Asia, with the large share of benefits from “free trade” accruing to a few countries. To the larger portion of the population in the region, “free trade” has meant the reduction of protection for local and medium enterprises, privatization of services, resource grabs, job insecurity, and chronic poverty especially among smallholder farmers.

The Doha Development Round (2001) in the WTO resulted from developing countries' demands to address their concerns through resolving implementation issues as well as granting special and differential treatment (SDT) to developing countries. However, developed countries were successful in marginalizing development issues and turning the agenda into increased access for themselves in services as well as agricultural and non-agricultural markets, and protected their use of massive agricultural subsidies. Two decades after the launch of the Doha Round, development issues in the WTO remain to be addressed.

Key among these issues during the 12th Ministerial Conference (MC12) are disciplining harmful fisheries subsidies, and the public stockholding for food security. In the fisheries subsidies, developing countries have been demanding special and differential treatment (S&DT) as the fisheries sector is a main source of livelihood especially for poor populations but face major challenges from developed countries. In MC12 a truncated agreement was reached on fisheries which allows very limited S&DT for developing countries but leaves large subsidisers out, who are apparently to be disciplined by a future comprehensive agreement but that faces the same political challenges. In the absence of a comprehensive agreement, developing countries are still being pressured to ratify an adverse truncated agreement. On agriculture, developing countries had been seeking a permanent solution on public stockholding that will enable them to implement food security programs and support farming and farmers without being constrained by WTO rules on trade distorting subsidies. They are also seeking to protect themselves against sudden import surges and/or price declines in agricultural products through a special safeguard mechanism (SSM). However, developed countries continued to frustrate both these proposals but pushed their own agenda of liberalisation instead. Moreover, developed countries and corporations still refuse to recognize and abide by the Doha Declaration on TRIPS and Public Health which affirms member-states’ right to protect public health. This has led to constraints in knowledge transfer, as well as the control of know-how in producing critical medical goods such as COVID-19 vaccines by developed countries and their corporations (See box on vaccine inequity in Asia).

**Rise of bilateral, multilateral, and regional trade and investment agreements**

Disagreements and deadlocks in the Doha Round have led to the rise of Free Trade Agreements (FTAs), including bilateral, multi-national and regional trade and investment agreements, especially in Asia. Many FTAs embrace a vast array of issues, from investment to market
access in goods and services, and can include a host of emerging issues such as e-commerce, government procurement, and state-owned enterprises, among others. According to UNCTAD\textsuperscript{87}, there are 1226 in force bilateral investment treaties (BITs) in the region and 203 treaties with investment provisions (TIPs) that are in force. Additionally, there are 332 signed but not yet in force BITs and 56 TIPs with similar status.

Supported by cheap labor and low corporate tax rates, Asia has become a major destination for manufacturing and business process outsourcing. Asia's importance in global trade has become prominent as its share in global goods trade increased from 27\% in 2007\textsuperscript{88} to 39.9\% in 2019,\textsuperscript{89} and to 41\% in 2021.\textsuperscript{90} The region is forecasted to drive 40\% of the world's consumption and contribute up to 50\% of global GDP growth by 2040.\textsuperscript{91} Two regional trade agreements have been negotiated and signed to shape regional rules according to neoliberal trade: the Comprehensive and Progressive Transpacific Partnership Agreement (CPTPP) and Regional Comprehensive Economic Partnership (RCEP).

Both agreements are regional in scope and have overlapping memberships. CPTPP has Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam while RCEP has the ASEAN countries plus Australia, China, Japan, South Korea, and New Zealand. Both agreements have provisions that are beyond the member-countries' commitments in the WTO in the expansion of trade in goods, investments liberalization, and ending preferences for local companies on government procurement. They threaten to further undermine people's access to services as they lock in deregulation and promote the privatization of services such as health and education. For CPTPP, state-owned enterprises are prevented from being given preferential treatment and has clauses on intellectual property that can result in higher prices for medicine, educational materials, and farm inputs. Both agreements are damaging for labor rights, migrant workers, and environmental protection, and are heavily unbalanced against labour, environment and human rights in comparison with corporate rights. CPTPP and RCEP have undermined democracy because they have been negotiated behind closed doors. As plurilateral agreements, CPTPP and RCEP are only binding on signatory states. However, the large geographical and economic scope of both agreements means that they have the potential to sway WTO rules, dictate standards of liberalization, and become multilateralized overtime.

In addition, the new Indo-Pacific Economic Framework (IPEF) that has been launched and led by the USA proposes an atypical trade agreement with 13 other countries in the region. While there is apparently no market access, its 4 pillars of trade (connected economy), supply chains (resilient economy), clean energy, decarbonisation and infrastructure (clean economy) and tax & anti-corruption (fair economy) aim to bring in monumental changes in the arena of policy space and regulatory systems of partner countries. It is also expected to involve binding commitments across its 4 pillars all of which are closely linked to the FfD thematic areas.

**Harmful investment protection**

Investment protection in the form of investor-state dispute settlement (ISDS) is present in most BITs and in several FTAs, most notably in both RCEP and CPTPP. ISDS is a process wherein foreign investors can bring host governments to an international tribunal for loss of present and future profits or reduced value of their assets if a government introduces new economic, social, or environmental policies that affect their business or even their business expectations. RCEP left this for future negotiations, which does not make it enforceable in the current agreement. However, it can be enforced if member-countries revisit and reverse this decision two years after the ratification.

ISDS is controversial because it gives additional legal rights to corporations that already have enormous market power to claim billions in compensation for legal changes that may harm
their investments. It allows corporations to challenge laws that harm their profits even if these laws are for development and human rights. The UN Special Rapporteur on the Promotion of a Democratic and Equitable International Order commented that ISDS undermines rule of law and democracy and that existing ISDS should be phased out and no new investment treaty should contain any provision for privatized or semi-privatized dispute settlement.

Countries in Asia like India, Pakistan, Philippines, and Indonesia have been involved in ISDS cases. For instance, Pakistan has lost nearly 6 billion USD case in Tethyan Copper vs Pakistan case under the Australia-Pakistan BIT. The award is the second largest ever to be issued by the International Centre for Settlement of Investment Disputes (ICSID) and equals 2 per cent of Pakistan’s annual gross domestic product and 40 per cent of its total liquid foreign reserves. The largest known amount paid to a foreign investor by an RCEP country is 337 million USD as part of the settlement in the Cemex versus Indonesia case. Even if governments win ISDS cases, the arbitration costs are prohibitive and siphons away resources from public spending for human rights. The Fraport vs Philippines (2003-2011) arbitration cost the public USD 58 million.

Past experiences in the global trading system, the way regional mega trade deals push for more neoliberal trade, and the impacts of the COVID-19 crisis prompts us to review the multilateral trading system through the lens of an inclusive and sustainable recovery.

The CS FfD Mechanism calls for:

- Assess development impacts of current trade and investment frameworks
  - To ensure developing countries retain maximum policy flexibility in their trade and investment policies there should be no negotiations or signing of any binding trade and investment agreements including at the WTO until a comprehensive review is undertaken by the UN;
  - Agree on a moratorium on Investor-State Dispute Settlement (ISDS) cases, and non-implementation or violation of current trade and investment commitments, including under intellectual property rights rules committed in the TRIPS and TRIPS plus agreements, if these conflict with public policy objectives including economic and health objectives;
  - Ensure an international legally binding instrument to regulate, in international human rights law, the activities of transnational corporations and hold them accountable for human rights violations by supporting the ongoing negotiations for the UN Binding Treaty on Business and Human rights under the open-ended intergovernmental working group on transnational corporations and other business enterprises with respect to human rights.
3.6. TECHNOLOGY

Technology can either facilitate the achievement of human rights and sustainable development, or further aggravate inequalities, strengthen corporate power, maintain neocolonial relations between developed and developing countries, and worsen unsustainable development. It is thus important that mechanisms are in place to guarantee people’s access to technology especially in developing countries, make sure technology is developed and transferred in an equitable manner, promote local innovations and recognize diverse sources of knowledge, and that it does not cause harm.

Physical distancing and lockdown measures have highlighted the importance of digital technologies to access information and services, to purchase and exchange goods, for social connections, and for teleworking, and find jobs during the pandemic. Technology companies have positioned themselves as providers of technological and digital solutions to governments and the private sector. Some cities in Japan and the Philippines for example have employed Microsoft technologies to facilitate the distribution of aid and cash subsidies to citizens. Contact tracing apps and COVID-19 response monitoring technologies developed by Microsoft, Apple, and Google have been deployed by governments. Remote work has also become dependent on these companies to facilitate communications and the management of tasks.

The digital economy continues to expand because of challenges presented by COVID-19. Aside from e-commerce, platform jobs, and digital financial services that facilitate the access to food and other needs and services, new sectors have emerged such as those in education and health. According to the e-Conomy Southeast Asia 2020 report created by Google, Temasek, and Bain & Company, e-commerce, online media, and food delivery have increased in the ASEAN-6 countries (Indonesia, Malaysia, Singapore, Thailand, the Philippines, and Vietnam). The digital economy in the region surpassed USD 100 billion in 2020 and is set to triple by year 2025, with optimistic estimates of increasing up to USD 1 trillion by year 2030.

The digital divide and privacy issues

Amidst this expansion of the digital economy in Asia is the stark digital divide in the region. The International Telecommunication Union’s estimates for Asia in 2019 indicate that around 46.6% of households and 54.5% of individuals did not have access to the internet. Rural-urban and gender divides are also significant. Only 37% of rural households had access to the internet compared to 70.4% of urban households. Men are also more likely to have access (48.3%) compared to women (41.3%). This gap had negative implications in the access to COVID-19 assistance, vaccines (see Box on access to vaccines), and education during the pandemic (see section on Youth).

Concerns have been raised about privacy and surveillance on citizens whose data are being collected not only in contact tracing apps but also in other digital apps that they use for online shopping, transport, and accessing government services. In South Korea, cell phone GPS data, credit card payment information, and travel and medical records for COVID-19 contact tracing were collected without judicial oversight. Even before the pandemic, massive surveillance of citizens using social media and video surveillance were widely practiced by various countries in the region. Vietnam and the Philippines for example have surveillance units monitoring social media posts of their citizens. During the pandemic, various governments combined and weaponized media surveillance
and anti-fake news laws to suppress criticisms in the guise of fighting disinformation. Meanwhile, China’s Safe City video surveillance technology which combines “public security solutions” such as command centers, CCTV cameras, intelligent video surveillance, facial and license plate recognition technology, crowd monitoring, situational awareness detection, noise monitoring or detection, abandoned object detection, and social media monitoring has been deployed in Central Asia and South East Asia. The same technology is being used by China in its surveillance of the population in Xinjiang and has led to human rights abuses.

Rights over data as a resource

Rights over data and cross-border transfer of data collected by companies is another concern because of issues on national security and the value of data as a resource in economic development of less developed countries. Right now, China and the United States lead the world in terms of capacity to store and analyze large amounts of data. The largest platforms – Apple, Microsoft, Amazon, Alphabet (Google), Facebook, Tencent and Alibaba – are increasingly investing in all parts of the global data value chain: data collection through user-facing platform services; data transmissions through submarine cables and satellites; data storage (data centers); and data analysis, processing and use.\(^\text{98}\)

China’s “Digital Silk Road” complements its Belt and Road Initiative that spans Europe, Asia, and Africa. The Chinese government and businesses have entered partnerships with their counterparts in countries from these regions to expand the reach of China’s wireless networks, surveillance cameras, subsea cables, and satellites. These infrastructure enables artificial intelligence or machine learning and big data applications that in turn enable China’s Alibaba, Tencent, Baidu, Xiaomi (BATX) to compete with the US’ GAFAM, Google (Alphabet), Apple, Facebook (Meta), and Microsoft. Proposed digital trade rules in the WTO will ban the localization of data. Such a ban will legalize tax evasion practices by digital companies which can further erode governments’ revenue base, as well as make it difficult to develop policies that intend to equitably share the wealth generated from aggregating data. Without effective control over for whom data is collected and processed, developing countries in Asia will be subjected to digital colonialism wherein they become mere sources of data extracted for processing in developed countries and mere recipients/buyers and users of information and technology which were developed using their own data. Moreover, the secrecy on source codes and algorithms disables attempts to examine these technologies against compliance with human rights standards.

Technology and labor

The so-called fourth industrial revolution’s progress in the region has seen increasing automation of labor using artificial intelligence/machine learning and robots. In 2018, the ILO reported that Taiwanese electronics contract manufacturer Foxconn replaced around 60,000 workers in China with robots while Nike, which has been accused of using child labor in Asia, has been working with high tech manufacturing company Flex to build an automated factory in Mexico.\(^\text{99}\) This phenomenon puts into question the model of development wherein jobs are to be generated by attracting corporations that seek the cheapest labor costs. Additionally, this can also have a negative impact on governments as it reduces the tax base from which taxes can be raised. South Korea is the first country in the world that responded to this challenge by effectively taxing companies that shifted to robots in manufacturing through removal of government incentives.
The replacement of human labor by robots and artificial intelligence/machine learning worsens the expendability of workers including those that work in the platform or gig economy. Platform workers are in precarious situations as their jobs are by nature short-term gigs wherein, they have to accept terms and conditions without any leverage for negotiations, and often have to work longer hours as there is no fixed salary. Platforms often deny workers job security, social protection, and benefits as they technically do not have formal employer-employee relationships because they act as mediators between the service providers and those who need services. During the pandemic, ride-hailing apps such as Grab, one of the highest valued tech startups in Southeast Asia, were hit hard by the decline in customers due to restrictions on movement. In Indonesia for example, not all Grab drivers were able to shift to food and essentials delivery while those that were able to, still suffered from declining incomes. Some drivers had to give up their vehicles since they could not pay the loan that they took out to acquire the car.

**Technologies for sustainability?**

New technologies are also being developed that have questionable benefits for genuine sustainable development. Using climate mitigation as justification, tech companies are entering into food production. Singapore for example approved lab-grown meat for commercial production and aims to lead the industry. This can further threaten the livelihoods of smallholder farmers in the region who suffer from hunger, poverty, stiff competition from trade liberalization in agriculture, and dwindling government support. Public investments are also funneled into potentially dangerous large-scale experiments on climate geo-engineering such as China’s Sky River project in the Tibetan region. The project aims to “seed clouds” and bring rain into the drought-hit region by installing burning chambers in the Tibetan mountains which will release silver iodide to seed moisture into clouds and produce rain. However, weather systems can be complex, and this can wreak havoc in hydrological systems and farmers in the region of the Himalayas and downstream across South Asia.

Increasing digitalization in data-rich Asia and the use of emerging technologies supposedly for sustainable development call for a technology governance regime to ensure that technology contributes to people-centered development, does not harm specially marginalized populations, respects and protects human rights, and improves people’s well-being. Technology assessment must be made an integral component of technology governance at the national, regional and global levels. It must be based on the application of the precautionary principle and founded on the need to involve various actors – particularly the intended users of a particular technology and those who will most likely be impacted – in decision-making across the technology development process. Democratic, transparent and participatory mechanisms for evaluation of new technologies, which provide meaningful and timely opportunities for recipients and users of technology, including women, to participate in the decision-making and assessment of the potential impacts of technologies on health, economy, livelihood, culture and the environment must be put in place at the global and national levels.
BOX 6: CRYPTOCURRENCY AND SUSTAINABLE DEVELOPMENT IN ASIA

Cryptocurrencies have gained popularity in Asia. Before the Chinese government crackdown in 2021, East Asia was the world's largest cryptocurrency economy as it received 31% of all transactions between July 2019 and June 2020. Unlike fiat money, cryptocurrencies such as Bitcoin, Ethereum, Tether, and Binance are digital, encrypted, and decentralized mediums of exchange enabled by blockchain technology (see Box 7). As such, they are not regulated by central banks nor by any institution. Users can transact sales through the internet using cryptocurrencies without the need for physical banks. Promoters of cryptocurrency claim its supposed advantages such as resistance of fraud, prevention of leakage of personal information, instant and secure transactions, and freedom from central bank regulation. There are also claims that this can promote financial inclusion for the Asia's unbanked as one does need access to a physical bank company to join and do transactions.

Recent high-profile controversies have exposed the risks involved in cryptocurrencies. Since cryptocurrencies are not backed physical assets, they are extremely volatile. The absence of government regulation and their global operations means that they can be channels for capital flight as well as for funding illegal activities. Claims on reducing inequalities through making digital payments and financial products widely accessible to the unbanked fall in the face of evidence that wealth inequality in cryptocurrencies mirror that of the real-world economy. Just 0.01% of the estimated 114 million people holding Bitcoin own 27% of the 19 million bitcoins in circulation. The digital divide and inequalities in financial literacy can also add more to the growing wealth inequality through cryptocurrencies. Mining cryptocurrencies is also energy intensive which can have negative implications on climate change, energy access, and local economies. For example, Kazakhstan which became the 2nd top location for bitcoin miners after the Chinese crackdown suffer from power outages due to the large stress of the power consumption on the country's already ailing and coal-dependent energy infrastructure.
Blockchain technology application is being advanced in land administration. This technology, which is also behind the operation of cryptocurrencies, is a decentralized, distributed database that packages records of transactions or values into encrypted blocks and sends them across a (public or private) peer-to-peer network. Each data block contains a digital signature (hash), timestamp and a reference to the previous block, creating a growing chain of unalterable records. In the context of land administration, it is being used to record land titles, facilitate land transactions, and make information about these available in web-based platforms and/or mobile apps.

Proponents such as World Bank, Asian Development Bank, and private companies selling the technology argue that using blockchain will reduce costs for governments in land administration, lessen fraud and corruption, and facilitate the access to information between landowners and potential investors. In 2018, the Indonesian government and the World Bank implemented a five-year systematic digital land titling program called Program to Accelerate Agrarian Reform. The USD 240 million program will title more than four million land parcels in Kalimantan and Sumatra. The eLand system will contain information such as geospatial information, land use, and land rights on properties in its registry. This information is made available via an online portal and mobile application. It can be accessed by the public, including commercial banks, real estate market facilitators, and land valuers, making the entry of private capital and land-based projects easier. The use of blockchain in land administration is relevant in the context of the global land rush in response to the challenges of climate change, both for food production and investments in land-based climate mitigation schemes such as forests for carbon markets. This can increase land conflicts as the process of documenting land information are top-down and can impinge on customary forest rights.

Digital mapping has also disregarded other forms of land-tenure such as those that are collective in nature. In the Andhra Pradesh state of India, the process of land registration pressured communities to register their lands, some under a system of “land pooling” that register lands under a single entity such as a government agency. Those who agreed to this system receive in return a smaller parcel of their land with electricity and other infrastructure as payment. However, some tribal communities complained that they did not receive land in return, only monetary compensation. Since information is made available through a mobile app, those that do not have access to one in effect will not be able to see their record and monitor whether changes have been made or if the data is accurate.

Such technologies that facilitate private investments on land and other natural resources should be scrutinized as they can promote increased wealth concentration among the rich on the one hand and worsen dispossession among small landholders and indigenous peoples on the other. These technologies must be assessed using human rights as a lens on whether these will cause harm, especially to marginalized sectors.
In response, the CS FfD Mechanism demands:

- As the UN, governments and institutions grapple with the governance of digital technologies, there is a need for a UN mechanism on the evaluation of the potential environmental, social, health and other impacts of new technologies on the environment, the labor market, livelihoods and society. This mechanism must be broad, transparent, inclusive, accessible and participatory. The institutionalization of gender audits of technologies should also be conducted, to examine the impacts of new technologies on women.

- Horizon scanning and foresight capacities need to be developed and should involve identifying options beyond technological solutions. Governance measures on technologies is not just about regulation but ensuring that the common good remains as the ultimate goal and takes precedence over profits.

- A new digital economy based on redistributive justice is urgently needed. We call upon governments and multilateral institutions to uphold the technological sovereignty of developing countries.

- There is a need to build a democratic, rule-based governance regime for the digital paradigm that can rein in Big Tech corporations, and re-imagine platform, data, and AI-supported production models towards economic self-determination of nations and peoples.
3.7. SYSTEMIC ISSUES

Systemic issues expose the weaknesses in the global financial architecture that is dominated by rich developed countries and their corporate/financial institutions. These issues generate policies and practices that are antithetical to people-centered development in less developed countries.

Decades of promoting economic development that is dependent on trade and investment liberalization have largely eroded the fiscal space of governments to mobilize resources to finance sustainable development. These also massively weakened their regulatory powers to prevent financial crises when they do happen and respond to protect human rights. The deregulation of financial markets, or the reduction of government rules controlling the way that banks and other financial organizations operate, allows these organizations to engage in speculative activities worldwide lead to increased and unregulated financial flows (speculative money), contribute to financial instability, and leave countries even more vulnerable to external financial shocks.

Financial deregulation which promotes risky financial activities as well as the disjuncture between the real economy and financial markets have culminated in boom-and-bust cycles, such as what was behind the Asian Financial Crisis (AFC) in 1997 (see box 1) and the 2008 Global Financial Crisis. In both crises, interconnected and deregulated financial markets encouraged speculative investments that eventually got out of hand. After asset bubbles collapsed, capital “flew” from developing countries, currencies were devalued, and inflation rates skyrocketed leading to high prices of food and other basic goods. Unemployment, loss of income, loss of lifetime savings, and austerity that reduced spending on public services during both crises contributed to increased poverty and widened inequality.

The current global financial system is clearly not fit for the purpose of bringing sustainable and people-centered development. The system favors short-termism of investments designed to extract maximum profits at short turnaround periods, debt re-payments over fulfilling human rights. It lacks democratic participation from developing countries. The last element negatively affects the capacity of developing countries, who bear the burden of crises, from changing the policies that keep them indebted and from pursuing their developing goals.

As a response to the AFC, governments of developing countries used public money to build up international reserves through purchasing US treasury bills which not only channels resources away from domestic investment and public spending, but also gives the US further access to cheap credit. It is estimated that up to USD 3.7 trillion in 2007 was transferred from developing countries to build up their international reserves.

The need to build up international reserves can be lessened if the special drawing rights (SDR) in the IMF allocated to developing countries during crises are increased commiserate to their requirements. This will give countries liquidity and space to respond to crises like COVID-19. Earlier processes of reallocating voting weights among the IMF members were opposed by the US. Similar power imbalances are also observed in the World Trade Organization, wherein developed countries have refused to implement the Doha Development Round, and now, are blocking the TRIPS waiver.
Reforming the global financial architecture therefore calls for re-regulating finance as well as trade to help developing country governments regain the policy and fiscal space to tame the dominance of finance and meet their development objectives, including climate change response. It also calls for international cooperation among countries, based on solidarity and justice, and forming new decision-making processes that will rebalance voice and participation towards those who bear the brunt of underdevelopment caused by colonialism, debt, and economic crises.

The CS FfD Mechanism demands member states to:

- Assess systemic risks posed by unregulated or inadequately regulated financial sector instruments and actors:
  - Agree on adequate regulation and supervision of financial institutions, credit rating agencies and hedge funds through a UN framework;
  - A global ban on short selling among all markets and increase regulation/surveillance of high-frequency trading;

- A global agreement on the importance of capital account management to prevent capital flight, limit speculative trading and arrest declines in currency and asset prices;

- Ensure fiscal space and scale up international cooperation to support the extension of social protection systems to ensure universal coverage through social protection floors, in line with ILO standards.
4 How to Engage in the Financing for Development Process?

The Introductory Guide to Financing for Development provides an overview on how to engage in the global FfD process. In addition, the regional Asia Pacific Forum on Sustainable Development could also provide an important space to connect these global and regional conversations.

Annual Asia Pacific Forum on Sustainable Development (APFSD)

The Annual APFSD was first organized by ESCAP in 2014. It is an intergovernmental forum and a regional platform for supporting countries in the implementation of the 2030 Agenda for Sustainable Development while serving as a regional preparatory meeting to the High-Level Political Forum on Sustainable Development. The APFSD provides a regional perspective on the implementation of the 2030 Agenda by identifying regional trends, including on FfD, and consolidating as well as sharing best practices and lessons learned. The Forum takes into consideration the contributions of United Nations system bodies (at the regional level), other regional and sub-regional organizations, and relevant stakeholders. The APFSD also supports follow-up and review of progress on the 2030 Agenda at the regional level.

CSO engagement of the Forum is led by the Asia Pacific Regional CSO Engagement Mechanism (APRCEM), a civil society platform aimed to enable stronger cross constituency coordination and ensure that voices of all sub-regions of Asia Pacific are heard in intergovernmental processes in regional and global level. The platform is initiated, owned and driven by the CSOs, and seeks to engage with UN agencies and Member States on the Post-2015 as well as other development related issues/processes. Prior to the intergovernmental APFSD, APRCEM organizes the Asia Pacific People’s Forum on Sustainable Development (APPFSD) which serves as a capacity building initiative for CSOs, as well as a preparatory forum where they exchange knowledge and build common positions that they will then bring into the APFSD.
The CS FfD Mechanism is calling for the 4th Financing for Development Conference, where the issue of democratizing the global economic architecture is firmly on the table. Such a new FfD conference should comprehensively address the global systemic barriers to ensuring developing countries have the fiscal and policy space to finance their development. At the 2022 UN General Assembly, member states agreed to ‘consider convening’ a fourth international conference on financing for development in 2025.
Endnotes


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