



The background is a monochromatic orange line-art illustration of a community. It features various buildings, including a school with a clock tower, houses, and a playground with a slide and swing set. People are depicted in various activities: some carry large dollar signs, others are in a wheelchair, and some are in a car. The overall theme is the integration of finance and community development.

PRIVATE BUSINESS AND FINANCE



WHY THIS BRIEFING AND WHAT IS IT ABOUT?

This is the time for civil society organizations (CSOs) and social movements from 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, healthy, 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.

This briefing on Private Business and Finance is part of a broader toolkit introducing the FfD process and the Civil Society FfD Group's role in it, built to make navigating the FfD process and its interrelated domains more accessible for a non-technical audience.¹

In this briefing we critically address an overreliance on private finance and business and a focus on policies aimed at attracting more private investments as key strategies to achieve the Sustainable Development Goals (SDGs) agreed in 2015. We then highlight how shaping decision-making on global economic governance at the UN has the potential to unlock the current barriers to mobilizing public resources for development and support a transition towards more sustainable and diverse economies.

The Civil Society Financing for Development Group

The CS FfD Group is civil society's coordination mechanism for collective engagement in the FfD process. The Group 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. CS FfD Group's core principle is ensuring that civil society can speak with one collective voice.

To join the CS FfD Group, please fill the google form at this link: csoforffd.org/join-the-cso-ffd-group

¹ <https://csoforffd.org/2021/09/27/introtoffd/>

THE CHALLENGES

While the global pandemic and the interrelated economic, social, political and climate crises forced us to acknowledge our global interdependence, the capacity to respond to the current crises has been shown to be deeply uneven across the global North and South. After decades of economic deregulation and austerity, combined with massive debt servicing, constrained fiscal space and privatization, developing countries are facing the crises from extremely vulnerable positions on both the health and economic fronts. The rules that govern hyper-globalization, namely trade and investment liberalization, financial deregulation, and corporate tax cuts, have amplified inequalities within and between countries, led to increased market concentration, contributed to widespread ecological destruction, underfunding of public services and insufficient progress towards universal social protection, all now impossible to ignore.

Since the 1980s and 1990s, the policy prescriptions of the World Bank and the International Monetary Fund to aid-recipient countries have been driven by a firm belief that unregulated markets would efficiently allocate economic resources in a way that maximizes overall wellbeing.² This has also meant that, to receive assistance from these institutions, governments had to implement a package of neoliberal economic policies. These included fiscal consolidation (austerity), reduction of cross-border capital controls, trade liberalization, elimination of agricultural subsidies, privatization of public services such as water, energy, health and education, and other measures such as allowing foreign investors to own and exploit natural resources.³ These policies contributed to consolidating the current pattern of hyper-globalization and international division of labor, where production, trade and consumption happen through global value chains (GVCs), a model largely driven by transnational corporations (TNCs) based in industrialized economies.⁴ Rather than generating value, however, GVCs have actually grabbed value from the developing world by extracting primary commodities from the global South, where labor and other productions costs could be reduced to the minimum, and by exporting manufactured products and services across the world. This model also created massive externalities related to resource exploitation: environmental damage, displacement of communities, violation of human rights and labor rights, disregard for social reproductive and care roles, and significant social, cultural and health impacts.

² http://inctpped.ie.ufrj.br/spiderweb/pdf_2/3_frenkel_capital_market.pdf

³ <https://www.sciencedirect.com/science/article/abs/pii/S030691921730893X>

⁴ <https://www.oecd-ilibrary.org/sites/095705eb-en/index.html?itemId=/content/component/095705eb-en>

Market liberalization measures have also largely contributed to the current rise of global finance – both in terms of the size of global financial wealth and in the role and power of financial actors over the entire economy. Financial intermediaries such as banks, institutional investors, and asset managers, own and manage an increasing share of financial assets. These new actors hold financial assets valued at more than USD 378.9 trillion that have grown at 5.9% year on year since 2012⁵ and which reached record highs despite the pandemic.⁶ Increasing financial returns and benefits are distributed to executives and corporate shareholders to the detriment of wages, working conditions and productive investments.⁷ From the start of the COVID-19 pandemic to early June 2020 alone, seven of the world's richest people had seen their fortunes increase by over 50 percent, while millions of people lost their jobs and countries face record unemployment rates.⁸ With a lot of extra money to spend, financial elites reinvest it into lobbying and political campaigns that continue to further their wealth creation, privilege and influence over political processes and legislation. All of this has helped shape and maintain a highly undemocratic global financial architecture, where the decisions that affect all of us lack transparency and accountability and are made in global North-led clubs, such as the G7, G20 and the OECD.

After decades of trial and error, the policy reforms promoted by the Bank and Fund actually made states poorer⁹ and locked many countries into low value-added activities, limiting their capacity to mobilize domestic public resources to finance their own development plans. What was sold as a win-win situation has led to unsustainable levels of sovereign and household debt,¹⁰ and both the reliance on, as well as vulnerability to, volatile financial markets.¹¹ Yet, instead of addressing the structural failures inherent to the current economic systems, further reliance on private investments and finance to achieve the SDGs features prominently across global economic governance spaces as a primary solution.¹² In this brief we look at these development challenges through two main entry points: 1) private finance and 2) private business.

5 <https://www.oecd-ilibrary.org/sites/095705eb-en/index.html?itemId=/content/component/095705eb-en>

6 <https://www.bcg.com/press/10june2021-despite-covid-19-global-financial-wealth-soared-record-high-250-trillion-2020>

7 UNCTAD 2017 in P. Gallagher, Kevin and Kozul-Wright, Richard, A New Multilateralism for Shared Prosperity: Geneva Principles for a Global Green New Deal (UNCTAD and Global Development Policy Center, 2019) https://unctad.org/system/files/official-document/gp_ggnd_2019_en.pdf

8 Woods, Hiatt, How Billionaires Got \$637 Billion Richer during the Coronavirus Pandemic. Business Insider, (Business Insider, August 3, 2020). <https://www.businessinsider.com/billionaires-net-worth-increases-coronavirus-pandemic-2020-7>.

9 <https://investmentpolicy.unctad.org/blogs/60/the-fiscal-costs-of-ppps-in-the-spotlight>

10 <https://undocs.org/Home/Mobile?FinalSymbol=A%2FHRC%2F43%2F45&Language=E&DeviceType=Desktop>

11 <https://www.oecd.org/coronavirus/policy-responses/covid-19-and-global-capital-flows-2dc69002/>

12 <https://policydialogue.org/files/publications/papers/Global-Austerity-Alert-Ortiz-Cummins-2021-final.pdf>

1 Attracting more private finance as a development panacea

The central role that private finance has taken in the FfD process is disconcerting. Donor countries have been promoting an agenda that heavily rests on using public money, including Official Development Assistance (ODA), and public institutions such as Multilateral Development Banks (MDBs), to leverage private finance. Various instruments have been used to implement this agenda, including blended finance, public-private partnerships (PPPs) and risk guarantees. But instead of offering a long-lasting solution, catalyzing private investment at scale may in fact be undermining public policy objectives aimed at sustainable development in the global South, further eroding the role and capacity of the state to provide public infrastructure and services vital to ensuring human rights, development, and climate resilience, and leaving countries more vulnerable to debt crises.

Private finance is increasingly seen as essential to meet the SDGs and is emblematic of the private/ corporate turn that has characterized development finance since the 2000s.¹³ The approach, however, raises many concerns, including: which actors are involved, how its impacts (including unintended impacts) are measured, who benefits from it, and how it is regulated. Most donor countries and MDBs have enthusiastically supported the increasing use of different tools to leverage private finance, such as blended finance and public private partnerships (PPPs), including in their response to the crises triggered by the Covid-19 pandemic.¹⁴

The rationale for this relentless quest to attract more private investments and create new private investment opportunities stems from an understanding of development constraints in the form of a 'financing gap'.¹⁵ The United Nations Conference on Trade and Development (UNCTAD) calculated an annual financing gap in developing countries of USD 2.5 trillion to achieve the SDGs.¹⁶ As part of this debate, the World Bank Group and others like G20 have argued that one of the main issues countries face when it comes to meeting the SDGs and aligning actions to the Paris Climate Agreement is that global levels of investment, particularly infrastructure investments, are too low. And for that diagnostic of a development 'financing gap', a scaling up of private-sector focused approaches to development finance is promoted as the cure. This policy response is also driven by the interests of global institutional investors seeking profitable and stable business opportunities to match their masses of wealth - as of December 2019, the world's largest money managers held an all-time high level of assets, exceeding US\$100tn.¹⁷ These assets are supposed to constantly generate ever-higher profits.

¹³ Van Waeyenberge, Elisa (2015) The Private Turn in Development Finance. FESSUD: Working Paper Series, 140. https://eprints.soas.ac.uk/22273/1/FESSUD_Working%20Paper%20Series%20Templated606PII.pdf

¹⁴ https://www.eurodad.org/rebuilding_better; <https://www.wemos.nl/en/publicfirstinhealth/>

¹⁵ [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/603486/EXPO_STU\(2020\)603486_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/603486/EXPO_STU(2020)603486_EN.pdf)

¹⁶ <https://unctad.org/press-material/developing-countries-face-25-trillion-annual-investment-gap-key-sustainable>

However, civil society organizations are concerned that there has been insufficient regard for the long-term developmental impact of this approach. In many cases these financial instruments have proved to be problematic on many grounds, in both developed and developing countries. Experience shows that PPP projects tend to be more expensive than publicly financed projects and they do not lower the fiscal impact of projects, as they effectively delay budget expenditures. Moreover, PPPs are usually a risky business for the public sector, and hence for citizens.¹⁸ As the 2021 Inter Agency Task Force report mentions, “the private sector may seek to transfer more risk to government as the crisis prompts reconsideration of risk allocation”.¹⁹ Furthermore, a strong focus on PPPs can shift public sector investment priorities, which can have detrimental effects on women and the most vulnerable (see Box 1: What are public-private partnerships (PPPs) and what are their implications?)

What are public-private partnerships (PPPs) and what are their implications?

In recent decades, the failed experiences with water, energy, rail and health privatizations have made clear across the globe that privatizing public services is fundamentally flawed. However, in the context of economic crisis, governments are under increased pressure to find quick answers for maintaining services and funding infrastructure. PPPs have been a widely promoted solution to conceal public borrowing, while providing long-term state guarantees for profits to private companies.

Despite the huge amount of work devoted to studying PPPs, there is not a universally agreed definition of the term. We use the most widely accepted definition of PPPs, which can be formulated as follows. A PPP is:

- a medium- or long-term contractual arrangement between the state and a private sector company;
- an arrangement in which the private sector participates in the supply of assets and services traditionally provided by government, such as hospitals, schools, prisons, roads, bridges, tunnels, railways, water and sanitation and energy;
- an arrangement involving some form of risk sharing between the public and private sector.

There are two PPP funding models:

- **User-funded PPPs**, where a private partner charges the public a fee for using the facility, sometimes subsidised by government or local authorities.

¹⁷ Willis Towers Watson. 2020. ‘Global asset manager AuM tops US\$100 trillion for the first time’. Press Release 19 October 2020, available <https://www.willistowerswatson.com/en-US/News/2020/10/global-asset-manager-aum-tops-us-dollar-100-trillion-for-the-first-time>

¹⁸ https://www.wemos.nl/wp-content/uploads/2021/03/Wemos_Risky-Business-Position-Paper-in-the-Promotion-of-PPPs-in-Healthcare_March-2021.pdf; <https://www.eurodad.org/historyrepeated>

¹⁹ https://unosd.un.org/sites/unosd.un.org/files/financing_for_sustainable_development_report_2021.pdf

- **Government-funded PPPs, where a private sector company builds and runs infrastructure and receives regular payments by the public partner based on the level of service provided.**

Both models can – and often do – ultimately weigh heavily on the public purse: government-funded PPPs rely heavily on public expenditure, while even user-funded PPPs may entail costs for the government through subsidies.

In addition, the distinction between funding and financing is important to help understand the true costs of PPPs:

- **Financing is the money the private company raises to complete the project and can be done through debt and equity instruments.**
- **Funding is the way that the company will be repaid in the long term. Usually this will not show up as a deficit for the government accounts, except in the rare cases where the asset is considered to be controlled by the government.**

As the literature on PPPs clearly shows, while the private sector may bring some finance up front, in the long run the PPP can only be funded (including shareholder profits and inflated salaries and bonuses for senior managers) either by users of the infrastructure or service in the host country (e.g. paying a toll charge to use a bridge, paying for health or education services) or by the government using taxpayers' money. As a result, the staff from the IMF Fiscal Affairs Department and others have stressed that PPPs can generate a problematic "fiscal illusion" that may increase total fiscal risks in PPPs and potentially become inaccessible to those who cannot afford paying a fee.²⁰

Risk allocation is a crucial point in the debate of PPPs. Infrastructure projects face different kind of risks – for instance, project risks, macroeconomic risks and political and regulatory risks. They might vary depending on the country where the project is implemented, the nature of the project and the assets and services involved. To compensate for these, the public sector often offers subsidies or guarantees which can generate financial implications for the public sector. Given the fact that PPPs are used as a mechanism to deliver public services, the 'risk sharing' is somewhat uneven. The public sector is always the residual risk holder should the private sector fail, which the experience says that is not infrequent.²¹

Another aspect is that PPPs are regulated by complex contracts, which allows for manipulation, especially by the private contractor. As more governments are learning, these contracts also prevent new forms of organising staff and services, to be able to respond to changing needs and to take advantage of bringing different groups of staff together in new ways.

²⁰ See IMF (2021) "Mastering the Risky Business of Public-Private Partnerships in Infrastructure"; Cepparulo A, Eusepi G and Giuriato L (2019). "Public-Private Partnership and fiscal illusion: A systematic review". Journal of Infrastructure, Policy and Development; 3(2): 288-309.

²¹ https://www.eurodad.org/sustainable_infrastructure_report

Blended finance can also be problematic: it often focuses on middle-income countries and may give preferential treatment to donors' own private-sector firms. Projects may not align with country plans, and commonly fail to incorporate transparency, accountability, and stakeholder participation and have questionable development impact (see Box 2: Blended finance: what does it mean?).²²

Blended finance: what does it mean?

Although there is no universally agreed definition of blending, for the purposes of this briefing, we take the definition used in the Addis Ababa Action Agenda, that blending combines concessional public finance with non-concessional private finance and expertise from the public and private sector.²³ In other words, the practice combines official development assistance with other private or public resources, in order to 'leverage' additional funds from other actors. Blending is, in effect, a kind of subsidy for commercial actors engaged in development-related work.

The essential idea behind blending is that a grant or grant-like contribution provided by states can be used to remove barriers and risks (real or perceived) to private investments aimed at development-related activities in the global South. For example, if there is a perception from a commercial bank or impact investor that they have insufficient local knowledge; there are capacity gaps in the local market; there is a risk of significant currency fluctuations; or they are uncertain about the effects of the regulatory environment on their business.²⁴ Blending aims to offset these risks through a financial subsidy. This can take several forms, for instance: providing a guarantee that investors will be reimbursed if expected gains do not materialize; offering technical assistance; a grant or concessional loan to the investee to offset some of the costs of a project.

Blended finance is a focus within the Financing for Development follow-up process – both through the United Nations Conference on Trade and Development, and through the United Nations Inter-Agency Task Force on Financing for Development, and it is portrayed by some development actors as a key tool to leverage private finance for development.²⁵ Recent evidence, however, shows that high expectations of these leverage effects are unrealistic and blended finance operations are playing only a marginal role in scaling up investment in many developing countries.²⁶ As blended finance projects are primarily materializing in Middle-Income Countries, blended finance risks skewing public concessional finance away from those countries and communities most in need.²⁷

²² https://www.eurodad.org/blended_finance_what_it_is_how_it_works_and_how_it_is_used

²³ "Addis Ababa Action Agenda of the Third International Conference on Financing for Development" (United Nations, 2015), Paragraph 48. Concessional public finance usually means Official Development Assistance (ODA).

²⁴ https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/250/attachments/original/1588178386/Mixed_messages.pdf?1588178386

²⁵ https://unctad.org/system/files/non-official-document/Eurodad_contribution.pdf

²⁶ https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR_2021.pdf

²⁷ Eurodad (2017), Mixed messages: the rhetoric and the reality of using blended finance to 'leave no-one behind'

The de-risking approach: shifting role of the state and of multilateral development banks

An agenda heavily focused on de-risking private finance may in fact be undermining public policy objectives aimed at sustainable development in the global South, including the provision of public services, as it leaves countries more vulnerable to debt crises. This agenda implies a redefinition of the role of the state, which is a key consideration to stress in the context of a UN discussion on financing for development. In many cases, the state becomes defined by its capacity to provide business friendly regulations and facilitate private profits by carrying the risks that private investors are not ready to take, instead of by its capacity to guarantee the fulfilment of human rights. Moreover, this has implications for democratic accountability, as private actors are mainly accountable to their shareholders and not to citizens.

This agenda is part of the implementation of what Professor Daniela Gabor terms the 'Wall Street Consensus', which she describes as "an elaborate effort to reorganize development interventions around partnerships with global finance".²⁸ It also implies a new, and problematic, way of framing the role of MDBs, namely as institutions that 'de-risk' private investments in developing countries, and 'create markets' for private investors. In the context of the Covid-19 crisis, and the climate emergency, new markets for health and climate infrastructure will likely become 'investment opportunities' for institutional investors. But these risks do not disappear; they are all too often transferred to the balance sheet of the state, which is very evident in the case of PPPs (see Box 1).

Given all this, it is important to think about the role of the state and MDBs in the current context, and under what conditions private finance can play a positive role in development.

Sustainable infrastructure for whom?

While it is relevant to work with the private sector to support the SDGs, mobilizing private capital should not be seen as a goal in itself. A narrow focus on financing gaps neglects the longer term, underlying structural issues in uneven global development. Numbers say nothing about what kind of infrastructure is needed, by whom and for what purpose. Moreover, the type of finance that is prioritized can have an impact on the type of projects that are being implemented and the development model that they serve.²⁹ For instance, in the health sector, private finance drives development in technological infrastructure, the commercialization of essential health services and its concentration in dense (and wealthy) urban settings, to the detriment of primary and preventive care services, often delivered at community level, by public or not-for-profit providers.³⁰

²⁸ <https://onlinelibrary.wiley.com/doi/abs/10.1111/dech.12645>

²⁹ https://www.eurodad.org/sustainable_infrastructure_report

³⁰ <http://www.wemosresources.org/finance-for-health/best-public-value-for-public-money;>
<http://www.wemosresources.org/finance-for-health/in-the-interest-of-health-for-all>

A strong focus on private finance might also lead to prioritizing mega transport corridors, which in most cases are implemented to connect places of natural resource extraction to points of export and aim to integrate developing countries into global value chains, which reinforces a global division of labor entrenched in colonial roots. It is therefore important to frame this discussion in the context of the structural transformation that most developing countries urgently need. Thinking about infrastructure investments through the lens of a sustainable and resilient recovery might entail democratically-determined priorities, and considering types of infrastructure that serve to reduce countries' commodity dependence, promotes economic diversification and socio-economic transformation.

Missed opportunity for systemic reform

Many insist on the opportunities offered by the current health, economic and climate crises to promote recovery paths that could offer a way forward towards a more equitable and sustainable future, rather than a way back to the grim realities in which the crises are rooted. However, dominant policy inclinations continue to repeat the same discredited pre-pandemic choices while somehow hoping for different results. For instance, there seems to be significant inconsistencies in the ways of engaging the private sector, as the opportunity for systemic reforms and regulatory interventions continue to be overshadowed by an overarching inclination towards providing incentives (including subsidies) and changing the policy and regulatory environment to lower the (perceived) risks of private investors.³¹ These risks do not disappear; they are all too often transferred to the balance sheet of the state, which is very evident in the case of PPPs (see Box 1).



³¹ <https://csoforffd.files.wordpress.com/2021/05/ffd-side-event-covid-response-private-sector.pdf>

In the face of systemic deterrents to developing countries' domestic resource mobilization – illicit financial flows, unsustainable and illegitimate debt burdens, unfair trade agreements, tax abuse by multinational corporations, and insufficient financial sector regulation – the mainstream narrative fails to tackle the incompatibility between private financial interests (profit maximization for shareholders and bonuses for senior executives), and the types of long-term investments needed to advance the SDGs, reduce global inequalities and fight the climate crisis.

2 Private business: risks and accountability

When it comes to the role of private business in sustainable development, it is important to have a critical outlook between both 'opportunities' on one hand, as well as 'risks' on the other hand.³² Just as the use of private finance for development should not be a panacea. Trusting that for-profit corporations and 'multi-stakeholder' approaches will pave the way towards sustainable development is not smart policy, especially considering unsustainable business models are at the core of many challenges the SDGs respond to. Key risks include greenwashing and SDG-washing of business activities, natural resource governance and land ownership disputes, displacement and land-based violence, among others.

It is also essential to differentiate in terms of analysis and regulation between large-scale multinational corporations versus small and medium enterprises (SMEs). In the area of opportunities, it is critical to consider the continued contribution of SMEs, micro-enterprises, and cooperatives in terms of a positive contribution to local livelihoods, diverse economies, decent employment and income generation for those people at the bottom of the income distribution.

An unsustainable production model is at the core of many of the challenges being addressed by the Sustainable Development Goals. It is not surprising that a search for maximizing profits led businesses (particularly multinational corporations) to exploit natural resources often causing environmental degradation, and to minimize labor costs, often to the detriment of workers' rights and conditions.

Another dimension of the unsustainability of the production model relates to the profound externalities it generates, for instance in environmental and health terms. Recent studies show that for every one dollar consumers pay for industrial food, society needs to bear two dollars of related health and environmental costs.³³ At the same time, corporate taxation continues to fall short of compensating societies for these negative externalities, due to the combined effects of financial deregulation, liberalization, the under-taxation of capital as well as corporate tax dodging strategies. Altogether, these exploit the loopholes of national tax regimes and concentrate profits within favorable jurisdictions and tax havens. In a nutshell, high profits often correspond to socialization of risks and costs on societies.

The real challenge of the sustainable development agenda is therefore a policy one: the urgent need for a profound transition in the current unsustainable production and consumption model. The tragedy is that none of this is being discussed. Instead, government bailout packages in response to the Covid-19 crisis have increased the role of public support to the private sector in both developed and developing markets. Such support has ranged from loan relief for SMEs

³² <https://csoforffd.files.wordpress.com/2017/12/cs-ffd-group-submission-on-iatf-report-18-december-2017.pdf>

³³ ETC Group (2017), Who will feed us? The industrial food chain versus the peasant food web, 3rd edition, <https://www.etcgroup.org/sites/www.etcgroup.org/files/files/etc-whowillfeedus-english-webshare.pdf>

to research and development (e.g., of pharmaceuticals). As a result, taxpayers are subsidizing corporate shareholders while vaccine monopolies charge excessive prices for Covid-19 vaccines. Rich countries block a limited waiver of intellectual property rights which would lead to faster and fairer global immunization.³⁴ With stock markets at record highs, there is a need to rethink the responsibility of businesses towards society.³⁵

Multistakeholderism and the corporate capture of global governance

The proliferation of high-level multi-stakeholder platforms is a new expression of how corporate power concentration is reaching new realms of political influence, now hiding under the guise of inclusion and democratic participation.

TNCs have traditionally influenced policies and legislation through lobbying and consultations, within certain procedural boundaries based on the multilateral, state-focused, nature of public institutions such as the UN or national governments. In recent years, traditional systems of influence have been complemented, and in some areas replaced, by multi-stakeholder initiatives (MSIs). Their core characteristic is the involvement of “stakeholders”, global actors who have a “stake” in an issue, who come together to work out solutions to issues of mutual concern. However, these mechanisms are based on the implicit assumption that “stakeholders” operate on an even terrain – a premise far from the reality of so many human rights defenders and workers who are killed for defending their rights in the context of business operations and investment projects.³⁶ Despite wide criticism from the CS FfD Group and other civil society mechanisms for engagement with the UN,³⁷ multi-stakeholder approaches continue to gain ground within global decision-making spaces. As stated by Harris Gleckman when commenting on the latest partnership agreement between the United Nations and the World Economic Forum:

“Under this arrangement, senior UN leaders are invited at national, regional and international levels to interact with forum members, many of whom are actually causing the global problems that the UN system is tasked to fix, such as climate change. These developments are part of a new global governance approach, one in which a team of corporate executives, leaders of civil society organizations, officials from governments and the UN system, academics and other players take on the governance of a specific international challenge. In the economic, social and environmental fields, this governance arrangement is called multistakeholderism, as each new global decision-maker is said to represent a “stakeholder” in an issue. In practice, these governance arrangements can have a role equal to or greater than the one held by the intergovernmental body officially assigned to address a universal problem.”³⁸

³⁴ <https://reliefweb.int/report/world/great-vaccine-robbery-pharmaceutical-corporations-charge-excessive-prices-covid-19>

³⁵ https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR_2021.pdf

³⁶ <https://www.globalwitness.org/en/press-releases/global-witness-reports-227-land-and-environmental-activists-murdered-single-year-worst-figure-record/>

³⁷ See most recently the mobilisation by food sovereignty groups against the SG’s UN Food Systems Summit: <https://www.foodsystems4people.org>

³⁸ Harris Gleckman, They Call It Multistakeholderism. Where Does That Leave the UN? TNI, 2019 <https://www.tni.org/en/article/they-call-it-multistakeholderism-where-does-that-leave-the-un>

The Global Investors for Sustainable Development Alliance - GISD

The GISD Alliance is formed by 30 business giants worth US\$ 16 trillion who were convened in 2019 by the UN Secretary General to address the challenges of financing the SDGs. They are working with the UN to develop a common definition of Sustainable Development Investing (SDI) to be adopted across the financial industry to support investors in aligning their investments with the SDGs. They have also produced platforms to facilitate private sector investments in the SDGs, including a climate Exchange Traded Fund (ETF) and an SDG Investor Platform.³⁹ These standards may also be adopted by or influence policies of governments and international bodies in the UN, the G20 or the OECD.

GISD members include some of the world's largest commercial banks and largest fossil fuel investors, such as Bank of America and Citigroup.⁴⁰ It also includes some of the largest insurance companies and asset managers, such as Nuveen (the investment arm of the TIAA pension fund), known for its speculative land investments driving land grabbing in the global South.⁴¹

ESG and SDG greenwashing

One of the major challenges surrounding 'sustainable investing' remains the loose and voluntary nature of its regulations and definitions. The former chief investment officer for sustainable investing at BlackRock Inc., the world's biggest asset manager overseeing \$8.7 trillion, was recently unapologetic about the industry's contradictions: "In truth, sustainable investing boils down to little more than marketing hype, PR spin and disingenuous promises from the investment community. Existing mutual funds are cynically rebranded as 'green' — with no discernible change to the fund itself or its underlying strategies — simply for the sake of appearances and marketing purposes."⁴²

³⁹ <https://www.gisdalliance.org/news/business-leaders-join-secretary-general-ramp-delivery-critical-investment-tools-mobilize>

⁴⁰ <https://www.ran.org/wp-content/uploads/2021/03/Banking-on-Climate-Chaos-2021.pdf>

⁴¹ <https://www.stoplandgrabs.org/en-us/reports/farmland-speculation-and-land-grabbing-in-brazil/29-category-en-us/reports/farmland-speculation-and-land-grabbing-in-brazil/141-tiaa-s-farmland-funds-linked-to-fires-conflicts-and-legacy-deforestation-risks-in-brazil>

⁴² <https://eu.usatoday.com/story/opinion/2021/03/16/wall-street-esg-sustainable-investing-greenwashing-column/6948923002/>

More than 250 existing European funds changed their investment objectives to adopt an ESG stance in 2020.⁴³ The former BlackRock executive argues that the marketing efforts of the asset management industry are “a placebo” for addressing the climate crisis and shouldn’t replace government action. “A ‘free market’ will not correct itself or fix the problem by its own accord,” he wrote.⁴⁴ Professor Daniela Gabor concurs: “this greenwashing is a feature, not a bug, of big finance-led decarbonisation. It allows private finance to both enjoy the green subsidies promised by central banks and to protect profits from democratic forces that may, one day, transition from cuddling to penalising carbon financiers.”⁴⁵

Green financialization

Private and financial sector led green schemes such as green bonds, green enclosures to ‘offset’ carbon, ‘debt-for-nature’ swaps and impact investing, for example, commodify and financialize the environment while dispossessing communities.⁴⁶ Most recently, a background paper outlining priorities for private finance for COP26⁴⁷ insisted on the need for creating new markets for private finance by de-risking investments as a pathway to achieve climate goals.

Initiated predominantly by rich country financial markets, green financialization promotes false solutions such as carbon trading schemes, geo-engineering, and carbon capture and storage, that allow polluters to pay relatively minor fees while continuing business as usual and accumulating profits through extractive activities in global South mines, plantations, forests, land and water sources.⁴⁸

Both carbon trading and offsetting schemes do not address the real causes of the climate crisis and fail to deliver on emissions reductions or meaningful climate policy change. Moreover, carbon offsetting mechanisms have had severe impacts on indigenous peoples and local communities, while deflecting responsibility from historical polluters and stalling urgent and equitable action to repair climate injustice and reduce resource extraction and consumption driven by donor countries.

⁴³ <https://www.morningstar.co.uk/uk/news/209411/sustainable-funds-record-breaking-year.aspx>

⁴⁴ <https://www.bloomberg.com/opinion/articles/2021-03-23/former-blackrock-executive-tariq-fancy-blows-the-greenwashing-whistle>

⁴⁵ <https://www.theguardian.com/commentisfree/2021/jun/04/private-finance-decarbonise-economies-green-state>

⁴⁶ <https://www.oaklandinstitute.org/evicted-carbon-credits-green-resources>

⁴⁷ https://ukcop26.org/wp-content/uploads/2020/11/COP26-Private-Finance-Hub-Strategy_Nov-2020v4.1.pdf

⁴⁸ https://wedo.org/wp-content/uploads/2021/06/FemEconClimate-ActionNexus_Brief_FemGND-1.pdf

OUR RECOMMENDATION: ADDRESS SYSTEMIC DETERRENTS TO PUBLIC RESOURCE MOBILIZATION AND STOP PRIORITIZING FALSE SOLUTIONS

The tried and failed policy prescriptions promoted by International Financial Institutions (IFIs) over the past decades and increasingly permeating many FfD discussions have evidently not led us any closer to delivering on the goals of the 2030 Agenda, and much less to being prepared to weather the impacts of the extractive economic system,⁴⁹ the Covid-19 pandemic⁵⁰ and the climate emergency.⁵¹ Yet, lessons learned on the destructive consequences of privatization and austerity, and on the risks of relying on private finance and deregulated markets to deliver public goods are yet to be acknowledged and implemented in a transformative way. Both climate and health risks have been increasingly dealt with by similar market-led responses pushed by private sector lobbying,⁵² donor countries and IFIs 'private-finance first' approach. But economic models shaped by a focus on attracting private investors, the pursuit of economic growth at all costs and 'fiscal responsibility' are now proving deadly in times of crises and are unfit for purpose in the face of inevitable future challenges.

Picking up where we left off before the crises (Build Back Better) will not make us more resilient or better prepared to deal with new pandemics and climate-related disasters. Doubling down on failed strategies such as privatization or deregulation of global finance will not help us better cope with and overcome present and future shocks. In fact, evidence of private finance's sustainable development impact remains weak and, in some sectors – for instance, the privatization and commercialization of education, health, water provision, and other essential services – it shows negative impacts on inequality and marginalization. If developing countries remain locked into resource extraction, private (hot) finance and aid dependencies instead

⁴⁹ <https://cgt.columbia.edu/news/capital-versus-life-corporate-capture-financialization-financial-extractivism/>

⁵⁰ <https://www.independent.co.uk/environment/coronavirus-meat-animal-farming-pandemic-disease-wet-markets-a9505626.html>

⁵¹ <https://www.sciencedirect.com/science/article/pii/S1353829217311966>

⁵² <https://www.weforum.org/agenda/2020/01/unlocking-sdg-financing-decade-delivery>

of shifting to economic diversification, strengthening of productive capacities and long-term strategies for domestic resource mobilization, sustainable development and socio-economic transformation will not materialize.

Realigning the business models to the imperatives of sustainable development will not come through voluntary approaches. It requires a new set of bold public norms, policies, and investments. It requires the reaffirmation, rather than the abdication, of the role of the State in defining a new set of global rules. It requires the courage to stop unsustainable investments and predatory practices.

To address this, the CS FfD Group proposes:

- **Recognize that voluntary principles are insufficient, we call on governments to engage constructively in the ongoing development in the Human Rights Council towards an international legally binding instrument on Transnational Corporations and other Business Enterprises as a first step in regulating transnational corporations.**
- **Prioritize public finance as it is often less costly, more financially sustainable, and more directly accountable to citizens than private finance. Moreover, public interventions are critical for social equity reasons or where social returns are much larger than private returns. This requires:**
 - * clamping down on losses of public resources through tax abuse (see CS FfD Group brief on DRM)
 - * dealing with unsustainable debts through a new, fair, democratic and transparent sovereign debt workout mechanism at the UN (see CS FfD Group brief on Debt)
 - * withdrawing from and/or rejecting new unfair international trade agreements (see CS FfD Group brief on Trade), and
 - * increasing levels and quality of international concessional resources with a cautious and evidence-based approach to blended finance (see CS FfD Group brief on International Development Cooperation)
- **Promoting industrial policies as an essential part of national development strategies for countries in the global South. These can enable countries to move away from commodity dependency and export-oriented strategies and move towards socioeconomic transformation through diversified, dynamic, inclusive, and sustainable economies.**

- **Governments and private enterprises to effectively implement the ILO International Labor Standards and ILO Conventions, the UN Guiding Principles on Business and Human Rights, and to set up effective mechanisms for resolving abuses and provide adequate remedy, especially for indigenous peoples, peasants, and rural communities. Furthermore, governments must ensure the contributions from business to national fiscal systems and address tax evasion and avoidance. The current 15% minimum global tax on TNCs is a welcome yet insufficient step.**
- **Reviewing the developmental outcomes of PPPs and 'private finance first' approaches**
 - * We reject the problematic 'private finance first' policies for development finance and warn against the unrealistic assumption that private finance will fill the financing shortfalls. While donors and institutions promote tools whose development impact is yet to be proven, the reality is they are not living up to their own commitments and are instead regressing.
 - * 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.
 - * Downgrading private finance as a source of financing for development and develop public policy options and regulations for private business to serve sustainable development.
- **Drawing on the extensive expertise of the UN Human Rights Council special rapporteurs in analyzing the human rights impacts of corporate activities on the realization of human rights, and indeed the process towards mandatory disclosure of financial and non-financial reporting to support greater information on the impact of corporate activities.**

HOW TO ENGAGE?

The CS FfD Group has been engaging with campaigning and advocacy on private finance and the democratization of global economic governance through multiple entry points. Examples include: direct engagement on Private Business and Finance in the FfD process by providing inputs to the yearly Financing for Sustainable Development Reports, to the FfD Forum negotiations, FfD in the era of COVID19 and beyond.

To join the CS FfD Group, please fill the google form at this link:

csoforffd.org/join-the-cso-ffd-group

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