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REPUBLIC OF INDONESIA

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10-11 June 2014

Djuanda Hall, Ministry of Finance Complex, Jakarta

Right-based and People-centered Sustainable Development Financing

A collation of Interventions of Civil Society Representatives

June 2014

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Right-based and People-centered Sustainable Development Financing

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

Jakarta, 10-11 June 2014

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

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

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

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

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

Development at:

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

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

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

Unchanging Challenges in a Changing Development Landscape

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

Preliminary remarks

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

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

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

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

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

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

Civil society and sustainable development financing

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

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

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

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

Taxes and other forms of revenue

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

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

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

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

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

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

Domestic resource mobilization and expenditure allocation

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

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

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

Mobilizing natural resource revenues for investing in development

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

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

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

Ensuring accountability

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

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

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

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

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

- a. Civil society expresses shame that some of the developed countries have set back in fulfillment of MDG 8 and commitment of 0.7% of GNP as development assistance. There are gloomy pictures of fulfillment of the commitment from developed countries in climate finance too. We must continue to urge developed countries that it is our shared prosperity within the planet. Our vision of shared prosperity means, leaving no one behind and letting no one get away. They have to fulfill their commitment and admit their historical responsibility.
- b. Taxing plays important role in domestic resource mobilization of a country, however, civil society have been expressing concern on growing emphasize on value added tax (VAT), which is regressive to poor. But some of the international financial institutions unnecessarily add this as a condition to their financial assistance as we have research report from other continents that it is a discredited policy. In some countries more than half of their total internal revenue mobilization is from VAT i.e. indirect tax where in some other countries rate is more than 15% and above in average. Countries in Asia Pacific (AP) region should emphasize direct tax, especially income tax and corporate tax. We have to treat taxing in view of justice and redistributive framework. It should be collected from the rich and distributed to the poor to minimize the inequalities.
- c. One of the major global and inter-countries inequalities is due to the illicit financial flows. Some researches show that it is annually US\$947 billion extracted from the developing countries through illicit financial flows, which is much bigger than annual aid of US\$130 billions provided to the developing countries. That means the

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