



## **South Views**

No. 217, 14 May 2021

[www.southcentre.int](http://www.southcentre.int)

Twitter: [@South\\_Centre](https://twitter.com/South_Centre)

### **Financing for development from the perspective of the right to development**

*Summaries of two reports by  
Saad Alfarargi, Special Rapporteur on the right to development*

In 2020, the United Nations (UN) Special Rapporteur on the right to development, Saad Alfarargi, submitted two reports, one to the UN Human Rights Council (HRC) and the other to the UN General Assembly, on the issue of financing for development (FFD) from the perspective of the right to development (RTD). The first report (A/HRC/45/15) analyzed national-level FFD, while the second report (A/75/167) focused on the international dimension of FFD. In both reports the Special Rapporteur highlighted relevant challenges, with a particular focus on how to ensure the meaningful participation of rights-holders.

In 2020, [the United Nations \(UN\) Special Rapporteur on the right to development](#), Saad Alfarargi, submitted two reports, one to the UN Human Rights Council (HRC) and the other to the UN General Assembly, on the issue of financing for development (FFD) from the perspective of the right to development (RTD). The first [report \(A/HRC/45/15\)](#) analyzed national-level FFD, while the second [report \(A/75/167\)](#) focused on the international dimension of FFD. In both reports the Special Rapporteur highlighted relevant challenges, with a particular focus on how to ensure the meaningful participation of rights-holders.

In preparation for his studies of FFD\* from the perspective of the RTD, the Special Rapporteur drew from his [Guidelines and Recommendations Report on the practical implementation of the RTD](#). The main principle of the Guidelines Report is that **individuals and communities must drive the processes for their own development through meaningful participation**. The Guidelines also make clear that from the RTD perspective, FFD means funding the development priorities that individuals and communities express, since they must drive the processes for their own development. This rights-based approach to sustainable development and FFD is enshrined within, and has been committed to by States through, the [UN Declaration on the Right to Development](#), the [2030 Agenda and Sustainable Development Goals \(SDGs\)](#), and the [Addis Ababa Action Agenda on Financing for Development](#).

To help put together these reports, the Special Rapporteur requested input from key stakeholders including States, financial institutions, civil society organizations, think-tanks and academics.

## Financing for Development, National Dimension

This report explored **national-level FFD policies** and practices from the RTD perspective. The report highlighted several **best practices and challenges**, primarily based upon the submissions and examples provided by a range of geographically diverse States about the ways in which they had effectively integrated RTD into national systems for FFD.

While each State provided details of specific national programmes or policies, in general terms a number of recurring issues came up. Several countries emphasized the importance of **equitably redistributing wealth** and economic resources, and elaborated on their work on **countering and alleviating extreme poverty** in particular, through social protection programmes and better inclusion mechanisms for instance. Other countries noted the **particular importance of the private sector** for financing and executing sustainable public infrastructure projects, noting efforts undertaken to improve their cooperation with and regulation of it. **Transparency**, throughout the formulation, implementation, and financing, of FFD, was another best practice that appeared recurrently. Similarly, **community participation** had also been emphasized by a majority of participants, whether they were States from different regions, national development agencies, and/or civil society organizations.

In addition, the Special Rapporteur also identified a number of **recurring challenges**.

1. One challenge related to **insufficient resource mobilization**, or lack thereof, which was already a significant problem and in decline before the COVID-19 pandemic, but was expected to become even greater due the economic and political impact of the global health crisis. While increasing cooperation and engagement with the private sector was identified as a possible partial solution to this challenge, the need to establish robust oversight measures for preventing and addressing abuses where the private sector was involved was also noted as key challenge.

2. The issue of **tax incentives** for the private sector and the world's wealthiest individuals also appeared as a recurring challenge towards the achievement of FFD policies. While the importance of attracting foreign direct investment (FDI) for the development of domestic economies is clear, the Special Rapporteur expressed concern that in some cases such special provisions result in disproportionately low fiscal revenues, which hamper the ability of States to budget for social protection networks. The issue was particularly acute in developing countries, where income and property taxes do not generate significant revenue.

3. A final key challenge related to **a lack of meaningful participation of communities in decision-making processes**. This was notable both at the policy development level, where communities and civil society organizations had often not been adequately consulted in the formulation stage of development strategies, and at the project level, where communities were not being involved as decision-makers from the beginning of discussions and instead specific projects were being developed and approved without the input of local communities. Particularly vulnerable populations, including persons with disabilities, women, children and young people, minorities, indigenous peoples, and members of other disempowered or marginalized groups, were often those most likely to be marginalized, despite the increased risk of harm that those groups faced from development projects.

### **Conclusions and Recommendations**

- **Resource mobilization** – The Special Rapporteur called on States to increase assistance to developing countries, in particular by upholding their official development assistance (ODA)

commitments and directing them to those most in need, and, within countries, for States to allocate the most resources to the poorest regions and most vulnerable populations. Localized development centres, improved data disaggregation, and stronger cooperation with and oversight over the private sector were also highlighted as key in this regard.

- **Tax policies** - The Special Rapporteur recommended that States establish progressive tax systems in order to counter growing economic inequality. He also called on States to terminate special tax provisions for foreign investors, bolster tax administrations, and create specialized units for enforcing taxes on the wealthy and corporations.

- **Meaningful community participation** - The Special Rapporteur called on all development finance stakeholders to budget for and establish mechanisms that meaningfully place rights holders at the centre of decision-making on FFD. Adequate and transparent data dissemination, the active involvement of particularly vulnerable or marginalized groups, and meaningful and regular consultation with affected communities throughout the design, implementation, and monitoring/evaluation stages of any such project were identified as vital in this regard.

### **Financing for Development, International Dimension**

The report explored the **international dimensions** of FFD policies and practices from the perspective of RTD. The report highlighted four key areas, primarily drawn from the submissions and examples provided by a range of geographically diverse States and other stakeholders:

**1. Participation, consent and access to information in the practices of multilateral development banks and development finance institutions** – Drawing from several submissions, the report identified a number of best practices and recurring challenges related to free, prior, and informed consent about development projects, or lack thereof. Key challenges in the area of participation, access to information and free, prior and informed consent included, for example, a top-down model of development, a lack of information regarding the specific actor(s) that are financing projects and the absence of a universal and standardized complaint and accountability mechanism across international, national and local project financiers. In addition, a lack of adequate monitoring of the policies and projects of development finance institutions; the often-neglected risk of reprisals and retaliation against communities on the ground; as well as the need for greater community participation in relevant international fora, particularly of those from developing countries, were also addressed.

**2. Domestic and international resource mobilization** – The report described illicit financial flows (such as tax evasion and tax avoidance by transnational corporations, money laundering and the transfer of funds from bribery, corruption and criminal activities) as a systemic problem in the global economy, leading to the outflow of massive sums of financial resources, particularly from developing countries, which ultimately constrain their ability to mobilize domestic resources for sustainable development. The report examined the challenges of tax evasion and avoidance for developing countries, in particular, and the implications of public finance policies promoted by multilateral development banks and development finance institutions for the achievement of the 2030 Agenda for Sustainable Development.

**3. International cooperation as a key principle in both FFD and RTD** - The report emphasized the need for the implementation of effective international tax cooperation policies in order to counter the costs of tax avoidance and evasion, the scaling up of financing for sustainable development from multilateral development banks and development finance

institutions on the basis of concessional lending and grants, as well as the human rights principle of extraterritorial obligations.

4. The report also surveyed **international and multilateral responses to the global economic impacts of the COVID-19 pandemic**. It looked at steps taken thus far by the International Monetary Fund and the World Bank, concerns over their scale and effectiveness, and the urgent need for financing in developing countries stressed by United Nations entities. The circumstances of African countries, which lack the fiscal space for an adequate health and financial response, were particularly underscored.

## **Conclusions and Recommendations**

- **Participation, free, prior and informed consent and access to information** - The Special Rapporteur recommended that meaningful public consultations be embedded within the planning, appraisal and monitoring stages of all development finance projects. He also called for the principle of free, prior and informed consent to be applied in all projects involving land and natural resource-based investments in particular. The creation of a toolbox of sanctions, that could be employed when development projects do not meet their human rights obligations, as well as further substantive discussions on FFD in the General Assembly, were also raised.

- **Domestic and international resource mobilization** - The Special Rapporteur recommended that States establish an instrument that could be used to examine how international and domestic tax regimes promote or hinder the realization of RTD and the SDGs. Noting that regressive taxes disproportionately harm vulnerable and/or marginalized groups, he also called for tax policy advice and conditions issued by multilateral development banks and development finance institutions to take into account their potential impact on such groups, and for gender equality in particular to be prioritized. Other recommendations, such as for States to meet their ODA targets and for independent human rights reviews of international development projects to be systematically carried out, were also raised.

- **International cooperation** - The Special Rapporteur called on both States and private enterprises to effectively implement the International Labour Organization Conventions, the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and to set up redress mechanisms to address abuses and provide adequate remedy, especially for indigenous peoples. The Rapporteur also raised the idea of establishing an inclusive and intergovernmental United Nations tax commission, with a mandate and resources to ensure cooperation with a view to fostering effective domestic resource mobilization. Such a commission could also address all issues related to illicit financial flows, including tax avoidance, evasion, as well as the elimination of tax havens, secrecy jurisdictions, and other elements facilitating illicit financial flows.

- **Responses to the global economic impacts of the COVID-19 pandemic** - In light of the disproportionate economic impact of the global COVID-19 pandemic on RTD and developing countries in particular, the Special Rapporteur called for increased financial support and low-cost liquidity to address the immediate health response and economic support needs in developing countries. The Rapporteur also expressed support for increased rapid disbursement of budget support by international organizations to developing countries, and expressed concern about the risks of private finance being used in response to the pandemic, especially with regard to the public sector and the costs of contingent liabilities in the State's official accounts.

\* For the purposes of these reports, the Special Rapporteur referred to FFD as encompassing domestic and international financial flows, such as domestic fiscal revenues, public development aid, remittances, foreign direct investment and external debt.

**\* The views contained in this article are attributable to the author and do not represent the institutional views of the South Centre or its Member States.**

**SOUTHVIEWS is a service of the South Centre providing opinions and analysis of topical issues from a South perspective.**

To view other articles in SouthViews, please [click here](#).

To see the previous version of SouthViews, please [click here](#).

For more information, please contact Anna Bernardo of the South Centre:  
Email [bernardo@southcentre.int](mailto:bernardo@southcentre.int), or telephone +41 22 791 80 50.

*Copyright © 2021 South Centre, All rights reserved.*