United Nations A/75/167

General Assembly

Distr.: General
16 July 2020

Original: English

Seventy-fifth session
Item 72 (b) of the preliminary list*
Promotion and protection of human rights: human rights questions, including alternative approaches for improving the effective enjoyment of human rights and fundamental freedoms

Right to development

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly the report of the Special Rapporteur on the right to development, Saad Alfarargi, submitted in accordance with Human Rights Council resolutions 33/14 and 42/23.

* A/75/50.

20-09602 (E) 060820

Report of the Special Rapporteur on the right to development, Saad Alfarargi

Summary

In the present thematic report, the Special Rapporteur on the right to development, Saad Alfarargi, explores the international dimensions of financing for development policies and practices from the perspective of the right to development. He highlights four key areas. The first is participation, consent and access to information in the practices of multilateral development banks and development finance institutions. Key principles such as free, prior and informed consent and practices such as environmental impact assessments and meaningful consultation processes are assessed. The second key area is domestic and international resource mobilization, which includes such matters as illicit financial flows, official development assistance and public-private partnerships. 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 are examined.

The third area covered is international cooperation as a key principle in both financing for development and the right to development, with a focus on the intergovernmental dialogues on financing for development being held under the aegis of the United Nations, tax cooperation and financial lending. Implementing effective international tax cooperation to counter the costs of tax avoidance and evasion, scaling up 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, are emphasized. Fourth, international and multilateral responses to the global economic impacts of the unprecedented coronavirus disease (COVID-19) pandemic are surveyed. The steps taken thus far by the International Monetary Fund and the World Bank are detailed, as are the 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, are underscored.

The Special Rapporteur concludes with recommendations on integrating principles of participation, free, prior and informed consent and access to information into development finance policies and practices, as well as tackling the challenges relating to domestic and international resource mobilization, public-private partnerships and financial assistance in the context of both responding to the global pandemic and implementing the 2030 Agenda. International cooperation can be enhanced through the effective implementation of key multilateral instruments, such as the Guiding Principles on Business and Human Rights of the United Nations and the Conventions of the International Labour Organization. In order to address illicit financial flows, an inclusive and intergovernmental United Nations tax body should be established, with a mandate and resources to ensure cooperation with a view to fostering domestic resource mobilization. The Special Rapporteur calls for a human rights-based response to the COVID-19 pandemic in order to protect the right to development. That response should include key initiatives, such as sustained increases in the rapid disbursement of budget support by international organizations to developing countries and the employment of the United Nations as an intergovernmental platform to discuss, analyse and coordinate the multilateral responses and policy shifts required to respond to the challenging economic and human rights impacts of the pandemic.

Contents

I. Activities of the Special Rapporteur

1. The present report is submitted to the General Assembly pursuant to Human Rights Council resolutions 33/14 and 42/23.

2. At the forty-fifth session of the Human Rights Council, the Special Rapporteur on the right to development, Saad Alfarargi, will submit a thematic report to the Council (A/HRC/45/15), in which he will examine national-level financing for development practices from the perspective of the right to development. He will highlight good practices and review challenges in ensuring the meaningful participation of rights holders. The report will conclude with recommendations on integrating the right to development in the areas of resource mobilization, tax policies, participation and access to information and data. The report will also contain a summary of the activities of the Special Rapporteur between September 2019 and July 2020.

II. Background information on financing for development and the right to development

A. Introduction

3. The Special Rapporteur on the right to development is mandated to examine the intersection of financing for development and the right to development, pursuant to Human Rights Council resolutions 33/14 and 42/23. In paragraph 2 of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, States committed to carry out a threefold task: to follow up on commitments and assess the progress made in the implementation of the Monterrey Consensus and the Doha Declaration; to further strengthen the framework to finance sustainable development and the means of implementation for the universal post-2015 development agenda; and to reinvigorate and strengthen the financing for development follow-up process to ensure that the actions to which they had committed were implemented and reviewed in an appropriate, inclusive, timely and transparent manner.

4. As established in article 3 of the Declaration on the Right to Development, States have the primary responsibility for the creation of national and international conditions favourable to the realization of the right to development and the duty to cooperate with each other in ensuring development and eliminating obstacles to development. Under the same article, States are required to realize their rights and fulfil their duties in such a manner as to promote a new international economic order based on sovereign equality, interdependence, mutual interest and cooperation among all States, as well as to encourage the observance and realization of human rights. In the present report, the Special Rapporteur will look at financing for development in a broad sense, as a concept covering many different public and private, domestic and international financial flows, including domestic fiscal revenues, public development aid, remittances, foreign direct investment and external debt. He will also look at some aspects of financing for development processes, as established by the Addis Ababa Action Agenda from the perspective of the above-mentioned right to development principles.

5. The Special Rapporteur notes that foreign debt issues are an integral part of financing for development. However, in the present report, the Special Rapporteur will devote limited attention to this subject area since in that regard he refers to the work of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights.

6. The Special Rapporteur expresses grave concern about the worldwide effects of the coronavirus disease (COVID-19) pandemic and has called on States to leave no one behind in their responses to the crisis. The Special Rapporteur also recognizes the profound impact that the pandemic will have on financing for development and will examine some of these effects from the perspective of the right to development in the present report.

7. In the present report, the Special Rapporteur expands upon the guidelines on the practical implementation of the right to development, which he presented to the Human Rights Council in September 2019, and the recommendations contained therein (see A/HRC/42/38).

8. In the guidelines, particular emphasis is placed on the centrality of the meaningful participation of rights holders in economic, social, cultural and political development. Ensuring meaningful participation means more than just consulting individuals and communities. It implies placing them at the centre of the decision-making that affects their own development, including decision-making on financing for development. Indeed, in the guidelines, the Special Rapporteur conceptualizes development as a holistic process that requires the input and involvement of diverse stakeholders, including States, international organizations, civil society, members of academia and the private sector, to achieve sustainable results. Participatory consultative processes that are open to all segments of the society have to be envisaged, budgeted for and implemented at every step of the way.

9. It is made clear in the guidelines that, from the perspective of the right to development, financing for development means funding the development priorities identified by individuals and communities, since they must drive the processes for their own development. In the following section, the Special Rapporteur describes how relevant international standards already incorporate this approach.

10. To gather information about the extent to which rights holders have been placed at the centre of decision-making on financing for development, the Special Rapporteur issued a call for submissions from Member States, development finance institutions, non-governmental organizations, think tanks and academics. He enquired about practices and challenges related to development finance in the areas of participation and access to information, resource mobilization and international cooperation issues.

11. The Special Rapporteur is grateful to all of the countries and other stakeholders that provided inputs for the compilation of the present report.[1] Since the travel restrictions imposed owing to the pandemic prevented the Special Rapporteur from holding in-person consultations, he held numerous online consultations with interested stakeholders.[2] While recognizing that the COVID-19 pandemic that has unfolded around the world in 2020 has required many countries to reorient resources, he regrets that he did not receive a higher number of submissions, which would have allowed him to provide more examples of good practices that countries could adapt and use in their particular circumstances.

B. International policy background on financing for development and the right to development

12. The international policy background applicable to the intersection of the right to development and financing for development includes the Declaration on the Right

[1] Submissions will be made available at http://www.ohchr.org/EN/Issues/Development/SRDevelopment/Pages/SRDevelopmentIndex.aspx.

[2] The present report is based on information that was available between March and July 2020.

to Development, the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda (see A/HRC/36/49).

13. Pursuant to the Declaration on the Right to Development, by virtue of the right to development every human person and all peoples are entitled to participate in, contribute to and enjoy economic, social, cultural and political development (art. 1). The Declaration contains principles that should guide policy decisions on financing for development. For example, it is stated that communities should have full sovereignty over their natural wealth and resources (art. 1) and that the benefits of development should be fairly distributed (art. 2). States are called upon to take all necessary measures for the realization of the right to development and to ensure equality of opportunity for all (art. 8). In addition, at the international level, States have a duty to cooperate with each other, both to promote the more rapid development of developing countries and to remove obstacles to comprehensive development (arts. 3 (3) and 4 (2)).

14. In the 2030 Agenda, which was adopted by the States Members of the United Nations in 2015, a tangible link is made between the right to development and sustainability. Throughout the text of the 2030 Agenda, the key principles of the Declaration on the Right to Development are reaffirmed.[3] The 2030 Agenda reflects the recognition of the need to build peaceful, just and inclusive societies that are based on respect for human rights, including the right to development, on the effective rule of law and good governance at all levels and on transparent, effective and accountable institutions.

15. The Addis Ababa Action Agenda, endorsed by the General Assembly in its resolution 69/313, is inextricably interlinked with the 2030 Agenda because it provides a global framework for financing sustainable development, including the Sustainable Development Goals. Similarly to the 2030 Agenda, the Addis Ababa Action Agenda contains references to human rights and fundamental freedoms, good governance, the rule of law and access to justice as integral to the overarching commitment to promoting peaceful and inclusive societies. Thus, fundamental elements of the right to development underpin the international framework for financing for development.

16. These international standards demonstrate States' prior commitments to a rights-based approach to sustainable development and financing for development. In the following sections, the Special Rapporteur reviews specific examples of the implementation of the right to development in the area of financing for development as evidence of how States have put these commitments into practice and where further efforts are required.

III. Financing for development practices at the international and regional levels

A. Participation, free, prior and informed consent and access to information

17. Over the past three decades, multilateral development banks and multilateral development finance institutions have created a range of environmental and social safeguards that provide, inter alia, for consultation with affected populations, requirements to seek the free, prior and informed consent of communities and peoples, and access to information. These normative frameworks establish a set of increasingly standardized benchmarks that most official sector financiers adhere to in

[3] Office of the United Nations High Commissioner for Human Rights (OHCHR), "Statement marking 33rd anniversary of UN Declaration on Right to Development", 4 December 2019.

their operations, including a set of standards for due diligence, environmental and social impact assessments and meaningful consultation with affected populations. At the same time, many official development finance institutions have also established institutional grievance mechanisms, also known as independent accountability mechanisms, to provide platforms for individuals and communities to seek redress for breach of these standards, including lack of consultation and access to information.

18. In a submission to the Special Rapporteur, a group of academics states that a best practice example of the incorporation of the principle of free, prior and informed consent is demonstrated in the performance standards of the International Finance Corporation (IFC) of the World Bank Group.[4] While the incorporation of the principle is standardized across IFC loan agreements and development projects, it does not always or necessarily ensure sustainable inclusion. Three key reasons are provided. First, the performance standards are inserted only instrumentally in loan agreements. Under the terms of the standards, financiers can threaten project implementation by, for example, defaulting on the loan provision or waiving the clause that requires consultation with affected communities. Second, in cases in which financial resources from IFC are disbursed at the national level through other platforms such as multi-stakeholder partnerships or through public-private partnerships, IFC standards are often undermined or neglected by national, subnational or local project-level accountability frameworks. There is currently no harmonized framework for ensuring that these private investments meet common standards for environmental and social safeguards, including those contained in international legal instruments and non-binding standards, such as the Guiding Principles on Business and Human Rights of the United Nations, the Guidelines for Multinational Corporations of the Organization for Economic Cooperation and Development (OECD) and the Principles for Responsible Investing. The widespread use of financial intermediaries in the disbursement of private finance for development also distances official financiers from the intended beneficiaries of the development projects, making it difficult to ensure that safeguard policies and standards are upheld throughout the financing chain. Third, there is greater opacity surrounding private sector projects in development compared with those undertaken by the public sector through an official sector grant or loan.

19. Civil society organizations that monitor the practices of the European Investment Bank, a major development finance institution operating across all developing countries, state that there are existing gaps between the provisions in the Bank's standards on meaningful stakeholder engagement and public participation and the practices on the ground.[5] For example, even though development projects are furnished with a legal framework requiring public participation under an environmental impact assessment, this does not always translate into meaningful engagement with communities on the ground owing to a lack of consistent monitoring. Furthermore, even when broad community support is a stated goal in a project document, it does not always ensure that human rights are respected. Community support is not, intrinsically, an adequate objective if it does not include a clause on human rights protections. Moreover, the Bank's proposal to integrate a right to free, prior and informed engagement is distinct from the right to free, prior and informed consent. As such, affected communities may be able to engage with policymakers and planners, while being unable to refuse or resist the project. Such distinctions imply that even with public participation principles and procedures in place, opposition to a development project, even when well justified, may not be possible.

[4] Submission to the Special Rapporteur by New Frontiers in International Development Finance, March 2020.

[5] Submission to the Special Rapporteur by Counter Balance dated 31 May 2020.

20. Key challenges in the area of participation, access to information and free, prior and informed consent include, 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.[6] In addition, the lack of monitoring on whether the stated principles and provisions are actually being carried out on the ground leads to questions about whether the policies of development finance institutions are being genuinely implemented, and whether vulnerable populations are involved. The issue of reprisals and the risk of retaliation are also key challenges, as affected communities do not always have a safe space in which to raise their grievances. With regard to accountability, not all development finance institutions have dispute settlement mechanisms that prevent a race to the bottom, in the sense that those with less stringent principles and provisions are sought after by financial intermediaries, such as private companies, impact investors and private banks.

21. With regard to meaningful participation and access to information in the intergovernmental conferences, negotiations and discussions of the United Nations financing for development process, civil society organizations report various constraints and challenges.[7] In the informal and formal financing for development dialogues, discussions and conferences, there is often uneven participation across national, regional and international organizations, with a disproportionate presence of international and developed country civil society organizations. Language barriers for civil society organizations that do not operate in English make it particularly difficult to engage in the informal dialogues and negotiations for which translation services are not always provided. There are gaps in analysis, advocacy and awareness-raising for regional stakeholders, particularly in Latin America, which render meaningful engagement difficult.

22. Furthermore, the substantive content of the United Nations financing for development process is highly technical, which allows primarily for the substantive participation of technical experts on macroeconomic debt and financial policies rather than that of community activists and social movement leaders. Local and autonomous organizations from developing countries have expressed a sense of exclusion from the substantive process of the financing for development discussions.[8] For such organizations, relaying how systemic economic and financial policy issues such as sovereign debt, illicit financial flows and private finance are having an impact on the real lives of people on a local basis is at times a challenge.

23. In addition, the representation of civil society organizations across regions and their levels of technical expertise are often imbalanced. This leads to a weakened linkage between the substance of financing for development discussions on macroeconomic policies and localized realities within developing countries. The discourse on how macroeconomic and financial policies are a structural driver of intersectional and gender inequalities is also found to be inadequate.[9] This is often rooted in the geopolitical balance of powers within the General Assembly and the lack of community-level involvement in the decisions and positions of Member States in the General Assembly.

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[6] Accountability Counsel, consultation with the Special Rapporteur on 8 May 2020.

[7] Equidad, consultation with the Special Rapporteur on 27 May 2020; Latin American Network for Economic and Social Justice, consultation with the Special Rapporteur on 29 May 2020; and European Network on Debt and Development, consultation with the Special Rapporteur on 2 June 2020.

[8] Latin American Network for Economic and Social Justice, consultation with the Special Rapporteur on 29 May 2020.

[9] Equidad, consultation with the Special Rapporteur on 27 May 2020.

24. Civil society organizations involved in the financing for development process also express concern regarding the weak incorporation of gender equality, particularly in terms of the allocation of financial resources. While the Women's Working Group on Financing for Development contributes substantive content to the financing for development process and debate in the United Nations, women's rights organizations do not receive adequate funding for their work.

B. Domestic and international resource mobilization

25. In Goal 17 of the Sustainable Development Goals, States committed to strengthening the means of implementation and revitalizing the global partnership for sustainable development, which includes enhancing policy coordination and coherence and respecting each country's policy space and leadership to establish and implement policies for poverty eradication and sustainable development (targets 17.13, 17.14 and 17.15). Domestic and international resource mobilization encompasses a range of macroeconomic policy areas related to illicit financial flows and tax policies, official development assistance (ODA) or aid policies and private financing. The common objective of these areas is to generate financing for sustainable development, which includes the 17 Goals of the 2030 Agenda, such as eradicating poverty and addressing inequalities both within and among countries.

26. The international community has identified illicit financial flows as an outstanding systemic problem in the global economy, leading to the outflow of massive sums of financial resources from developing countries, with the effect of constraining their ability to mobilize domestic resources for sustainable development. Illicit financial flows include tax evasion and tax avoidance by transnational corporations, money laundering and the transfer of funds from bribery, corruption and criminal activities. The expression "illicit financial flows" has no single, universally accepted definition. The United Nations has, thus far, not expressly defined the term (A/HRC/36/52, para. 5). In a report, the Advisory Committee of the Human Rights Council states that any useful definition of illicit financial flows would necessitate a broader, two-tiered interpretation of the word "illicit". In the first, "illicit" would refer to funds that are illegally earned, transferred or utilized and include all unrecorded private financial outflows that drive the accumulation of foreign assets by residents in breach of relevant national or international legal frameworks (ibid., para. 7). Illicit financial flows pose significant obstacles to the mobilization of domestic resources to finance sustainable development, as well as to the enjoyment of human rights, including the right to development.

27. The Inter-agency Task Force on Financing for Development reports that, since 2015, there have been improvements in tax policies and international cooperation in some significant areas.[10] However, five years into the implementation of the 2030 Agenda, positive reforms have not been fully integrated, either nationally or internationally. The slow and steady progress in domestic public resource mobilization is insufficient to match the scale and ambition of the 2030 Agenda. Only about 40 per cent of developing countries clearly increased tax-to-gross domestic product (GDP) ratios between 2015 and 2018. Political will for reform and assistance for capacity-building are inadequate, while sustainable development is not yet universally prioritized in expenditure allocation and budget processes. Effective national actions for combating tax-related, corruption-related and other kinds of illicit financial flows in all countries include: more capacity to prevent and investigate all types of suspicious transactions; more effective cross-institutional coordination in

[10] *Financing for Sustainable Development Report 2020* (United Nations publication, Sales No. E.20.I.4).

national enforcement; and more assiduous implementation of national commitments made under the United Nations Convention against Corruption.

28. On a global level, policy reforms and efforts to tackle illicit financial flows require international cooperation across all aspects of such flows. Especially important actions include spontaneous information-sharing and mutual legal assistance. As at the end of 2019, over three quarters of the members of the Inclusive Framework on Base Erosion and Profit Shifting had introduced a country-by-country reporting filing requirement. As a result, substantially every multinational enterprise with consolidated group revenue above €750 million is now preparing country-by-country reports for their home jurisdiction. However, host jurisdictions can only get access to non-local country-by-country reports by agreeing to another international instrument and having a bilateral match. At the end of November 2019, there were more than 2,000 bilateral exchange-of-information relationships for country-by-country reporting; 933 of which involved middle-income countries, up from 745 in 2018 and 477 in 2017. Currently none of the least developed countries receives country-by-country reports through information exchange.[11]

29. According to the International Monetary Fund (IMF), illicit financial flows have the effect of endangering economic and financial stability at the national and global levels.[12] For example, they can drain foreign exchange reserves, affect asset prices, lower tax receipts and reduce government revenue. They divert resources from public spending and can cut the capital available for private investment. Destabilizing flows can have a negative impact on the broader economy, with potential spillovers into other economies, as they often cross borders. Over the last two decades, IMF has helped to shape domestic and international policies against money-laundering and the financing of terrorism. For more than 50 years, IMF has provided technical assistance to foster tax compliance and enforcement, working with several countries on strengthening legal frameworks and administrative means. The Fund is heavily engaged in technical assistance to help member countries to guard against base erosion and profit shifting and provides technical assistance to help countries to better understand the size of flows.

30. In its 2015 report, the High-level Panel on Illicit Financial Flows from Africa underscored that illicit financial outflows from the African continent increased from about $20 billion in 2001 to $60 billion in 2010.[13] These sums have been undermining regional African domestic resource mobilization in recent years, during which aid flows to African countries have been either stagnant or decreasing. They have a potential impact on the realization of the rights of every man, woman and child on the continent of Africa. According to the World Bank, illicit financial flows, together with the underlying activities, distort economic and political competition, subvert government institutions, generate conflicts and violence, and undermine the integrity of legal and financial systems.[14] The Economic Commission for Africa has found that the volume of illicit financial flows exiting the African region has been greater than ODA received.[15]

31. Taxation of the digital economy has become a central issue in domestic resource mobilization in the context of the growth of e-commerce and digital business

[11] Ibid.

[12] International Monetary Fund, "The IMF and the fight against illicit financial flows", 12 March 2020.

[13] African Union and Economic Commission for Africa, "Illicit financial flows: report of the High-level Panel on Illicit Financial Flows from Africa".

[14] World Bank, "The World Bank Group's response to illicit financial flows: a stocktaking", March 2016. Available at https://documents.worldbank.org/en/publication/documents-reports/documentdetail/502341468179035132/the-world-bank-group-s-response-to-illicit-financial-flows-a-stocktaking.

[15] Economic Commission for Africa, consultation with the Special Rapporteur on 5 June 2020.

models.[16] The arena of e-commerce often has the effect of disrupting national fiscal systems through challenges posed to both indirect and direct taxation. In relation to the taxation of multinational corporate profits, digitalization changes the demands on residence-based and source-based taxation because it is now easier to operate in a market without triggering tax residency rules. In the traditional tax rules, taxation in the source country is usually based on physical presence in the jurisdiction. Once the right to tax the multinational enterprise has been established, its profits are allocated between jurisdictions on the basis of the arm's length principle (i.e., using market prices to value internal group transactions). Such market prices may not adequately reflect value creation in highly digitalized businesses, in which intangible and often unpriced assets are an important part of value creation, such as, for example, interactions with digital users that create economic value for businesses. This has led to questions about the appropriate threshold of economic engagement that justifies the right for corporate income taxation in a jurisdiction and the most appropriate methods of profit allocation.

32. Illicit financial flows have implications for the right to development through the manner in which key countries violate their extraterritorial obligations by continuing to facilitate and allow tax avoidance and evasion.[17] Countering tax evasion and avoidance are therefore not just political decisions, but are rather human rights obligations. One civil society organization for example has raised concerns regarding the practices of some countries of creating financial secrecy jurisdictions, which may violate their extraterritorial obligations to protect human rights overseas.[18]

33. With respect to international resource mobilization, ODA or international development aid is defined as the transfer of official financing to promote the development and welfare of developing countries.[19] Access to quality concessional resources and the effectiveness of the development partnerships play a key role in the realization of the right to development, as well as the Sustainable Development Goals, through the tenets of financing for development. In this regard, ODA is critical for development financing, and fulfilling the commitment made more than four decades ago to reach the target of devoting 0.7 per cent of gross national income (GNI) to ODA remains the cornerstone of success. ODA dropped from $153 billion in 2017 to $149.3 billion in 2018, a decline of 2.7 per cent.[20] ODA to African countries in particular dropped by 4 per cent. As a portion of GNI, ODA across all aid donors averages approximately 0.31 per cent, well below the United Nations target of 0.7 per cent.[21] Furthermore, progress in the realization of development effectiveness principles, such as national ownership, inclusive partnerships, transparency and mutual accountability, is lagging.[22]

34. The World Bank Group has developed an institution-wide approach known as "Maximizing Finance for Development" in order to systematically leverage all sources of finance, expertise and solutions to support the sustainable growth of developing countries. According to the World Bank, in embracing the Sustainable Development Goals, countries' resource needs surpass their own budgets and available donor funding.[23] Financing the Goals will require that solutions be found

[16] *Financing for Sustainable Development Report 2020*.
[17] Center for Economic and Social Rights, consultation with the Special Rapporteur on 29 May 2020.
[18] Ibid.
[19] Organization for Economic Cooperation and Development (OECD), "What is ODA?", April 2020.
[20] OECD, "Development aid drops in 2018, especially to neediest countries", 10 April 2019.
[21] Ibid.
[22] Department of Economic and Social Affairs, consultation with the Special Rapporteur on 14 May 2020.
[23] World Bank Group, "Maximizing Finance for Development (MFD)". Available at www.worldbank.org/en/about/partners/maximizing-finance-for-development.

from all possible sources of finance, innovation and expertise and, in particular, the private sector. Considerable capital, which could play a larger role, is situated in the private sector of wealthier countries. In March 2017, the Group of 20 finance ministers approved a set of principles that provide the World Bank Group and other multilateral development banks with a framework for increasing private investment to support countries' development objectives.[24] The World Bank Group has developed these principles to generate instruments that help to address risks for investors. Such risk mitigation allows countries to attract and manage private solutions and expand their range of options for financing efforts to sustainably grow their economies, reduce poverty and expand opportunity.

35. In the African Development Bank (AfDB), resource mobilization comes directly from its member Governments in the African region.[25] AfDB is permitted to receive money from private contributions only in the form of grant contributions. Bank loans, guarantees, syndications and other instruments provide a sound governance structure that ensures efficiency and efficacy. Through memorandums of understanding, AfDB leverages financial resources with actors such as the Islamic Development Bank. AfDB focuses particular attention on the poorest, for example, through the financing and implementation of social protection floors in times of crisis.

36. In a submission to the Special Rapporteur, a consortium of academics points out that the shift towards private financing for sustainable development without adequate regulatory and governance frameworks risks undermining international commitments under international agreements, including the 2030 Agenda, the Sendai Framework for Disaster Risk Reduction 2015–2030, the Addis Ababa Action Agenda and the Paris Declaration on Aid Effectiveness of 2005.[26] Evidence from the health and agricultural sectors in particular suggests that private sector actors in financing platforms can often divert financing away from national or intergovernmental priorities and towards donor and private sector interests. The involvement of commercial interests can create conflicts between the pursuit of private interests versus the public objectives of international development finance.

37. Furthermore, an increased reliance on financial intermediaries has a destabilizing effect, in that commercial banks do not fully acknowledge their potential role in causing or contributing to adverse impacts on human rights, including the right to development. In this regard, the implementation of the Guiding Principles on Business and Human Rights has significant potential to ensure the provision of effective remedies in the event of adverse impacts on human rights in the activities and transactions of commercial banks, international financial institutions and development finance institutions, particularly in the absence of social and environmental safeguards.

38. Public-private partnerships are composed of a contract between a Government and a private company under which the company finances, builds and operates some element of a public service and is remunerated either through charges paid by users or by payments from the public authority. Public-private partnerships are being promoted worldwide by global institutions and Governments, among others. Development banks, national Governments and donor agencies are providing subsidized public finance specifically for public-private partnerships. Civil society organizations and an international trade union federation provided submissions stating that, in their experience over the last 15 years, public-private partnerships were an expensive and

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[24] Group of 20, "Note on Resilience Principles in G20 Economies", 18 March 2017. Available at https://www.newsd.admin.ch/newsd/message/attachments/47572.pdf.

[25] African Development Bank, consultation with the Special Rapporteur on 12 June 2020.

[26] Submission to the Special Rapporteur by New Frontiers in International Development Finance, March 2020.

inefficient way of financing infrastructure and diverted government spending away from other public services.[27] They concealed public borrowing, while providing long-term State-guaranteed profits to private companies. On a positive note, there was evidence that efforts had been made through public-private partnerships to include individual and community rights holders in the planning and pre-construction stages of projects, including through the provision of information to rights holders.[28]

39. A key challenge to public finance policies in recent decades, as highlighted by various civil society organizations, is that posed by fiscal consolidation policies that have the effect of inducing economic austerity.[29] Such economic policy requirements or advice executed by development finance institutions, as well as donor Governments, often involve the elimination or reduction of subsidies, including on fuel, agriculture and food products; cuts and threshold ceilings on public sector wages, particularly the salaries of workers in the education, health and other public sectors, who comprise a large portion of the public wage bill in developing countries; rationalizing and further targeting social safety nets and insurance programmes, pensions, housing benefits, child benefits and disability benefits; and broadening consumption taxes, such as value added taxes, on basic products that are disproportionately consumed by poor households.[30]

40. Ongoing research finds further evidence of widespread public wage bill suppression through the imposition of low-inflation and deficit targets and the freezing or cutting of public sector wage bills, with consequences for health, public services and care.[31] Debt distress in many developing countries only exacerbates the erosion of public systems and services through protracted spending cuts. Several low-income countries spend more on debt servicing than on education and health combined.[32] The steep social costs of fiscal contraction entail, for example, weak public health and education systems, diminished access to essential social services, loss of livelihoods in the public sector, increased unpaid work and time poverty.[33] Budget cuts by the State often reduce or eliminate the programmes and services that primarily benefit women, children, older persons and persons with disabilities or physical illnesses.

41. A turn to private finance in financing for development introduces new forms of conditionality, through both public and private modes of governance, that may conflict with States' existing commitments under international law, including international investment law, indigenous peoples' rights, international human rights law and standards of international protection.[34] A major component of the new

[27] European Network on Debt and Development, consultation with the Special Rapporteur on 2 June 2020; and David Hall, "Why public-private partnerships don't work: the many advantages of the public alternative", report commissioned by Public Services International, February 2015.

[28] Submission to the Special Rapporteur by New Frontiers in International Development Finance, March 2020.

[29] Gestos, consultation with the Special Rapporteur on 21 May 2020; Latin American Network for Economic and Social Justice, consultation with the Special Rapporteur on 29 May 2020; Center for Economic and Social Rights, consultation with the Special Rapporteur on 29 May 2020; and European Network on Debt and Development, consultation with the Special Rapporteur on 2 June 2020.

[30] Isabel Ortiz and others, "The decade of adjustment: a review of austerity trends 2010–2020 in 187 countries", Extension of Social Security, Working Paper No. 53, (Geneva, International Labour Organization, 2015).

[31] ActionAid, *Who Cares for the Future: Finance Gender Responsive Public Services!* (Johannesburg, April 2020).

[32] Ibid.

[33] Shahra Razavi, "Rising economic and gender inequality: intersecting spheres of injustice", in *World Social Science Report 2016: Challenging Inequalities – Pathways to a Just World* (Paris, United Nations Educational, Scientific and Cultural Organization, 2016).

[34] Submission to the Special Rapporteur by New Frontiers in International Development Finance, March 2020.

financing for development framework is the restructuring of legal and regulatory structures to create enabling domestic environments for private investments. However, these regulatory reforms may expose countries, inadvertently or otherwise, to liabilities under international trade and investment law. In that context, the practice of AfDB does not impose structural adjustment conditions on its 54 regional African members.[35] The investments of the Bank are grounded in policy dialogue and are governed by each Member State's share of ownership, with the largest shareholders being Nigeria, Egypt, Morocco and Algeria.[36] As a regional bank funded primarily by contributions from African shareholders, AfDB is thereby able to mobilize regional financial resources on an effective basis.

C. International cooperation

42. International cooperation is at the centre of both the principles of financing for development and the right to development. In the Addis Ababa Action Agenda, it is stated that the global partnership for sustainable development is itself a vehicle for strengthening international cooperation. The role of intergovernmental dialogue and conferences in the United Nations financing for development process is to create an enabling international economic environment to achieve a sustainable development reality that leaves no one behind, rooted in mutually supporting world trade, monetary and financial systems, strengthened and enhanced global economic governance and the employment of knowledge and technologies by all.

43. The duty to cooperate is central to the Declaration on the Right to Development, as reflected in its constituent articles in which the responsibilities of the State are set out, such as the right and the duty of the State to formulate appropriate national development policies that aim at the constant improvement of the well-being of the entire population and of all individuals (art. 2 (3)), the primary responsibility of the State for the creation of national and international conditions favourable to the realization of the right to development (art. 3 (1)) and the duty of States to cooperate with each other in ensuring development and eliminating obstacles to development (art. 3 (3)). The Declaration builds upon the Charter of the United Nations, which calls for international cooperation in solving international problems relating to peace and security, human rights and development; the Universal Declaration of Human Rights, which envisions a social and international order in which all rights and freedoms can be fully realized for everyone; and the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights and other international instruments.

44. In the Addis Ababa Action Agenda, multilateral development banks and development finance institutions are called upon to better leverage their balance sheets in order to increase lending for sustainable development. In 2018, total lending by multilateral development banks rose by 4.7 per cent to $71.9 billion, while concessional lending, primarily from the International Development Association of the World Bank Group, accounted for about 18 per cent of the total, with the major recipients being the least developed countries, at 67 per cent.[37] In December 2019, the International Development Association was successfully replenished with $82 billion for the fiscal years 2021–2023 and the shareholders of AfDB approved a $115 billion capital increase, the largest since its establishment in 1964.[38] The African Development Fund, the

[35] African Development Bank, consultation with the Special Rapporteur on 12 June 2020.

[36] Ibid.

[37] Department of Economic and Social Affairs, consultation with the Special Rapporteur on 14 May 2020; and *Financing for Sustainable Development Report 2020*.

[38] *Financing for Sustainable Development Report 2020*.

concessional fund of AfDB, was also replenished with $7.6 billion for the period 2020–2022, an increase of 32 per cent from the previous cycle.

45. Extraterritorial obligations, or government obligations that cross State borders, are a human rights principle central to international cooperation. According to article 2 (1) of the International Covenant on Economic, Social and Cultural Rights, States must take steps, individually and through international assistance and cooperation, with a view to achieving progressively the full realization of the rights recognized in the Covenant.[39] There is increasing agreement that Governments have three types of extraterritorial obligations.[40] First, States have an obligation to respect rights, or to refrain from interfering with people's rights or with another Government's ability to meet its obligations. Second, States have an obligation to protect rights, or to prevent corporations and other actors from interfering with people's rights abroad by regulating their behaviour or influencing it in other ways. Third, States have an obligation to fulfil rights, or to cooperate internationally in order to support all Governments in meeting their human rights obligations. These obligations are triggered in a variety of situations. One example is when a Government has a decisive influence on people's rights overseas.[41] This includes when Governments act as members of international organizations that can effectively force Governments to adopt policies that harm human rights. States must not circumvent their human rights obligations by acting through these organizations; rather, States must take positions that support international organizations to act consistently with human rights.[42]

46. The Addis Ababa Action Agenda recognizes the need to scale up international tax cooperation as a complement to national tax policy and administration reform. The globalization of financial activities and the advances in technology that reduce barriers to goods and financial flows necessitate countries working together on tax matters and combating illicit finance. Through cooperation, countries can address the challenges of corporate and personal tax avoidance and evasion, while encouraging investment through the fair distribution of taxing rights. IMF contributes to international tax cooperation by combating legal tax avoidance activities, in large part by monitoring illicit financial flows and providing assistance to policymakers on the Base Erosion and Profit Shifting Project.[43] Launched in July 2013 by the Group of 20 and OECD, the base erosion and profit shifting initiative is one of the most influential international tax reform efforts. It is based on a 15-point action plan and entails country-by-country reporting on progress. However, a key critique of the initiative, submitted to the Special Rapporteur, is the lack of coverage of the issues that most affect lower-income countries, which experience an estimated $500 billion of annual revenue losses due to tax evasion by multinational enterprises.[44] Another important critique is that OECD is not founded on universal membership by all countries; rather, its membership consists primarily of developed countries.[45] The OECD membership is therefore not representative of, and does not have clear accountability to, the lower-income countries that disproportionately experience illicit financial flows.

[39] See also articles 4, 24 and 28 of the Convention on the Rights of the Child; and article 32 of the Convention on the Rights of Persons with Disabilities.

[40] See, for example, Human Rights Committee, general comment No. 36 (2018) on the right to life (CCPR/C/GC/36), para. 63.

[41] Center for Economic and Social Rights, consultation with the Special Rapporteur on 29 May 2020.

[42] Ibid.

[43] International Monetary Fund, consultation with the Special Rapporteur on 22 May 2020.

[44] Submission to the Special Rapporteur by Siobhán Airey, University College Dublin, February 2020.

[45] Society for International Development, consultation with the Special Rapporteur on 5 May 2020.

IV. Responses to the global economic impacts of the COVID-19 pandemic

47. The COVID-19 pandemic has created an unprecedented global public health and economic crisis of inestimable proportions. With much of the world economy and human society in suspension for several months, every nation is experiencing distress. This has created sharp contractions and mass unemployment in manufacturing, trade, tourism, travel, retail and commerce. The global economy is projected to shrink by 5.2 per cent in 2020, with 170 countries experiencing negative per capita growth.[46] The cost of the economic impacts to the world economy is projected to amount to approximately $9 trillion over the next two years.[47] The recession unfolding from the pandemic is the deepest since the Second World War. For the first time since 1998, global poverty will increase. The World Bank projects that at least half a billion people may fall into poverty by the end of 2020, with some 60 million at risk of being pushed into extreme poverty. South Asia will experience the most severe economic downturn in 40 years, while sub-Saharan Africa will see its first recession in 25 years, wiping out nearly half of all jobs across the continent.[48]

48. Under the Universal Declaration of Human Rights, everyone is guaranteed a social and international order favourable to realizing their rights. Most Governments have signed up to binding human rights treaties, which commit them to guaranteeing the rights of people without discrimination. In the context of the current COVID-19 pandemic the imperative for international cooperation has never been greater. However, thus far, there has been an inadequate degree of international cooperation between nations. Instead, States are falling back on policies meant to protect their domestic interests without considering the impact on others. Desperately needed medical supplies, such as personal protective equipment, testing reagents and ventilators, have been auctioned off to the highest bidder, rather than going to where they are most needed.[49] Furthermore, some rich countries are banning exports of these essential goods.[50] Such actions could have devastating impact on people’s lives in countries reliant on those imports.

49. The immediate response of IMF to the economic impacts of the pandemic was focused on providing a debt service moratorium, or a temporary standstill on debt payments, to 25 low-income countries under the Catastrophe Containment and Relief Trust.[51] The Trust provides grants of approximately $500 million to cover IMF debt obligations for a six-month period, allowing the poorest countries to direct their scarce financial resources towards emergency medical and economic needs. The countries that will receive debt service relief through the Trust are: Afghanistan, Benin, Burkina Faso, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Gambia, Guinea, Guinea-Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Sierra Leone, Solomon Islands, Tajikistan, Togo and Yemen. The IMF leadership urged donors to further boost the resources of the Trust to provide additional debt service relief for a full two years to the above recipients. IMF also announced amplified lending facilities for developing-country members to respond to their heightened

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[46] World Bank, “COVID-19 to plunge global economy into worst recession since World War II”, press release, 8 June 2020.

[47] International Monetary Fund, *World Economic Outlook: The Great Lockdown* (April 2020).

[48] World Bank, “COVID-19 (coronavirus) drives sub-Saharan Africa toward first recession in 25 years”, press release, 9 April 2020.

[49] International Monetary Fund, *World Economic Outlook: The Great Lockdown*.

[50] World Bank, “COVID-19 to plunge global economy into worst recession since World War II”.

[51] International Monetary Fund, “Executive Board approves immediate debt relief for 25 countries”, press release 13 April 2020.

fiscal needs for public health and national economies. IMF has increased access limits to its Rapid Credit Facility from 50 to 100 per cent of annual country quotas of special drawing rights and to 150 per cent on a cumulative basis from April to October 2020. The Fund's emergency financing, including its Rapid Financing Instrument, is expected to amount to approximately $100 billion.

50. Sovereign debt burdens were identified as a major challenge to mobilizing resources mobilization to respond to the pandemic by almost all the international organizations and civil society organizations that were consulted by the Special Rapporteur or that provided written submissions. This is attributable in great measure to the deleterious impacts of the pandemic on debt burdens in developing countries, and many of the most debt distressed States are expected to experience debt servicing defaults in the 2020s.[52] At the end of 2019, almost half of the poorer economies that are eligible to use the Poverty Reduction and Growth Trust had been assessed by IMF to be at high risk of sovereign external debt distress or already in debt distress.[53] In 2020 and 2021 alone, repayments on public external debt for developing countries overall are estimated at nearly $3.4 trillion.[54] Civil society organizations highlight that the provision of temporary debt moratoriums by the Group of 20 countries and IMF is not adequate. They advocate full debt cancellation or debt waiver measures in order to relieve the acute debt distress in the 76 low-income and lower-middle-income countries. A petition letter was signed by over 150 civil society organizations calling for debt cancellation by all creditors, including bilateral creditors, the World Bank and IMF, as well as private creditors.[55]

51. The World Bank has put in place a $14 billion fast-track package to respond to immediate health and economic needs in developing countries.[56] The institution envisages providing up to $160 billion in financing tailored to the health, economic and social shocks that developing countries will face over the next 15 months. Over $50 billion in International Development Association resources will be provided to the poorest countries on grant and highly concessional terms. World Bank Group operations will emphasize social protection in the form of immediate cash transfers, poverty alleviation and policy-based financing. In the view of the World Bank Group, the private sector is critical to containing the crisis and supporting the economic recovery. In that connection, the International Finance Corporation will attempt to cushion the economic impact on small businesses in developing countries through $8 billion in fast-track financing focused on preserving jobs in the almost 300 companies that have requested support.

52. The Department of Economic and Social Affairs stressed that one of the most urgent issues at hand is the question of how to scale up concessional financing for the liquidity needed by developing countries to confront the economic impacts of the pandemic.[57] In the light of collapsed currencies and a historical record of capital outflows from developing countries, financing needs have soared. A new issuance of the special drawing rights reserve currency by IMF is widely deemed to be critical to

[52] Communiqué of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development, 14 April 2020. Available at www.g24.org/wp-content/uploads/2020/04/G-24-Communique-Final-Spring-Meetings-2020.pdf.

[53] See www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf.

[54] United Nations Conference on Trade and Development, "COVID-19 is a matter of life and debt, global deal needed", 23 April 2020.

[55] Jubilee Debt Campaign, "A debt jubilee to tackle the COVID-19 health and economic crisis", April 2020. Available at https://jubileedebt.org.uk/a-debt-jubilee-to-tackle-the-covid-19-health-and-economic-crisis-2.

[56] World Bank, "How the World Bank Group is helping countries with COVID-19 (coronavirus)", fact sheet, 11 February 2020.

[57] Department of Economic and Social Affairs, consultation with the Special Rapporteur on 14 May 2020.

finance the COVID-19 response, as was issued during the global financial crisis of 2008. Emergency financing measures and capital account regulations are also crucial. On debt, relief and cancellation are required in the short term, while a restructuring mechanism is necessary in the long term. It is important that these discussions are kept alive in the United Nations among all Member States.

53. Meanwhile, both domestic and international resource mobilization are currently being hindered by the lack of interest of States in raising taxes, or their lack of will to do so, at the current time. With regard to domestic resource mobilization, foregone financial resources are the primary focus of States Members of the United Nations at present, and are being addressed through intergovernmental processes such as the United Nations High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda. A key concern for many countries is that financing and liquidity facilities to respond to the COVID-19 crisis will be conditioned on imposing austerity policies. Although private investment has, in the short-term, experienced a near collapse, the relationship between public and private finance in future needs to be reconceptualized.[58] The roles of public and private finance are distinct from each other, in that private finance cannot easily substitute public finance. In that regard, there should be a recalibration of the public and private balance in development financing. The role of the State is paramount, as already seen in the national responses to COVID-19. The Department of Economic and Social Affairs has illustrated that different types of money have different uses, and one cannot be easily substituted for the other.[59] The question that needs to be highlighted is what is the appropriate use of private versus public finance. Private financing is not appropriate for all financing needs, and greater consideration must be given to how the risks of private finance are managed, especially with regard to the public sector and the costs of contingent liabilities in the State's official accounts.

54. In a submission provided to the Special Rapporteur, the Economic Commission for Africa detailed that, while developed countries have injected trillions of dollars into COVID-19 health, social safety net and economic stimulus responses, Africa severely lacks the fiscal space to react similarly.[60] Africa is fiscally constrained by four critical challenges: high debt-to-GDP levels, high fiscal deficits, high costs of borrowing and the depreciation of many African currencies against the euro and the dollar. Although fiscal responses are critically needed to prevent regional economic collapse, Africa lacks the fiscal flexibility or policy space. With key regional factors such as debt service obligations estimated at $48 billion, dependence on oil export revenue and the plunging international price of oil, the lack of diversification of economies reliant on commodity exports and the decline in tourism, for example, the impact on African economies could be the slowing of growth to 1.8 per cent in the best case scenario or a contraction of 2.6 per cent in the worst case.[61] This has the potential to push 27 million people in the region into extreme poverty.

55. Both international and regional cooperation are critical to the response and recovery of African economies. According to the Economic Commission for Africa, African countries are requesting $50 billion to strengthen the health sector in Africa.[62] Given that Africa currently imports approximately 94 per cent of its pharmaceuticals, many countries are focusing on supporting domestic producers of pharmaceutical goods, for which liquidity is required. African countries are also examining how regional and global financing actors, including international organizations and the

[58] Ibid.
[59] *Financing for Sustainable Development Report 2020*.
[60] Economic Commission for Africa, "COVID-19 in Africa: protecting lives and economies", April 2020.
[61] Ibid.
[62] Economic Commission for Africa, consultation with the Special Rapporteur on 5 June 2020.

private sector, can build political will and take collective action in support of the issuance by IMF of Special Drawing Rights that may serve the need for immediate financial liquidity in developing countries.[63]

V. Conclusions and recommendations

A. Participation, free, prior and informed consent and access to information

56. **Meaningful public consultations are highlighted as an important component of the planning, appraisal and monitoring processes of development finance institutions. The Special Rapporteur recommends that public consultations be embedded within all areas of development finance institutions in order to avoid scenarios in which the project promoter carries the bulk of responsibility to carry out consultations.**

57. **The Special Rapporteur urges that the principle of free, prior and informed consent should be applied in projects involving land and natural resource-based investments as a standard good practice for all affected communities. He reiterates the recommendation of the Committee on the Elimination of Discrimination against Women that all rural women should have the right to free, prior and informed consent before development projects are carried out on their lands. Development finance institutions should consider creating and implementing a toolbox of sanctions and actions that can be employed in the event that a financial intermediary of a development project does not respect its obligations or is itself involved in retaliation against local communities, for example, sanctions provisions could be included in contracts between financial intermediaries and development finance institutions.**

58. **The Special Rapporteur supports the strengthening of substantive discussions on financing for development in the General Assembly and the inclusion of civil society from developing countries. Addressing language barriers and facilitating the translation of technical economic data into pertinent messages of equality, human rights and policy action may allow for more meaningful links between the United Nations and affected communities.**

B. Domestic and international resource mobilization

59. **The Special Rapporteur proposes the creation of an analytical instrument that can be used by all States to conduct a taxation policy impact assessment to examine how international and domestic tax regimes promote or hinder the realization of the right to development and the Sustainable Development Goals. Bodies such as the Committee of Experts on International Cooperation in Tax Matters, as well as recognized developing country-led centres of expertise, for example, the African Tax Administration Forum, should be consulted in the development of the instrument.**

60. **It is important for gender equality to be prioritized as tax policy is not gender or class neutral. Regressive taxes such as value added tax disproportionately harm people living in poverty, women, minorities, persons with disabilities, children and other marginalized groups. Women living in poverty are particularly affected owing to the lack of equitable access to public services and public goods, in addition to the reality that women across class levels**

[63] African Development Bank, consultation with the Special Rapporteur on 12 June 2020.

perform the bulk of unpaid care work while experiencing gender wage gaps in paid work. Tax policy advice and conditions issued by multilateral development banks and development finance institutions to States Members of the United Nations, and in particular to developing countries, should be reviewed to take into account their impact on women's income and work, including unpaid labour and unpaid care work, and property and assets ownership. Member States should also refrain from engaging in the trend of tax competition as a means to attract foreign direct investment.

61. **With regard to the international mobilization of resources, development partners should recommit to the target of dedicating 0.7 per cent of GNI to ODA by providing timetables and accountability frameworks, including enacting legislation at the national level. Development partners should also redirect aid to where it is most needed with clear actions and timelines, by providing 50 per cent of ODA to the least developed countries.**

62. **Public-private partnerships promoted through loans, projects and other financing arrangements involving multilateral development banks and development finance institutions should be subject to independent reviews of their development outcomes, including a thorough examination of their human rights and environmental impacts, as well as the accumulation of off-balance sheet debts.**

63. **As highlighted by the Inter-Agency Task Force on Financing for Development, in the Addis Ababa Action Agenda, the important role of multilateral development banks in the implementation of the 2030 Agenda is recognized. In 2019, several multilateral development banks completed successful capital replenishments. In addition, some have taken steps to raise additional resources through innovative mechanisms. Multilateral development banks have also increased efforts to align their activities with the Addis Ababa Action Agenda and the 2030 Agenda. Those activities should be continued and stepped up to ensure full alignment, including harmonization with gender equality monitoring indicators. Public development banks, in particular, have a specific mandate to deliver on public policy objectives that support the economic development of a country or region. Public development banks should direct financial resources towards economically vulnerable productive sectors at the national, regional and global levels, fill gaps in financial sector credit supply or demand, promote economic stability by playing a countercyclical role and improve social and human rights safeguards.**

C. International cooperation

64. **The Special Rapporteur urges 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 OECD Guidelines for Multinational Enterprises and to set up effective redress mechanisms to address abuses and provide adequate remedy, especially for indigenous peoples.**

65. **With regard to the Sustainable Development Goals, the Special Rapporteur proposes that the indicator to measure and assess the implementation of target 16.4 should include tax avoidance and evasion by multinational enterprises.**

66. **On the matter of international cooperation in tax matters, the Special Rapporteur recommends that an inclusive and intergovernmental United Nations tax commission be established, with a mandate and resources to ensure**

cooperation with a view to fostering effective domestic resource mobilization. Such a commission should also address all issues related to illicit financial flows, including tax avoidance and evasion. Universal membership, which implies that all countries would participate on an equal basis, could facilitate the remedying of harmful tax policies and practices and the elimination of tax havens and secrecy jurisdictions and other elements facilitating illicit financial flows.

67. **States must cooperate in a spirit of strengthened and renewed multilateralism, including in the processes and mechanisms of the United Nations. The Special Rapporteur recommends that international cooperation and coordination among States take into account extraterritorial obligations, or government obligations that cross State borders, as a human rights principle central to implementing cross-border solutions in the context of the global COVID-19 pandemic.**

D. Responses to the global economic impacts of the COVID-19 pandemic

68. **The Special Rapporteur highlights central challenges in supporting and protecting the right to development, particularly in developing countries, which are disproportionate affected by the economic challenges created by the global COVID-19 pandemic. Increased financial support and low-cost liquidity will be required to address the immediate health response and economic support needs in developing countries.**

69. **The Special Rapporteur supports sustained increases in the rapid disbursement of budget support by international organizations, including the World Bank and IMF, to developing countries. Fiscal stimulus, in the form of unconditional grants, is necessary to address the urgent health-care needs of developing countries, provide a safety net for the most vulnerable, protect jobs and support economic activity where possible.**

70. **The Special Rapporteur urges States, in responding to the economic impacts of the pandemic, to carefully discern the appropriate use of private versus public finance, as private financing may not be appropriate for all financing needs. The risks of private finance need to be better managed, especially with regard to the public sector and the costs of contingent liabilities in the State's official accounts.**

71. **The financing for development process in the United Nations should provide the intergovernmental platform to discuss, analyse and coordinate the multilateral responses and policy shifts that will be required in the context of the pandemic and its effects on the world economy. The Special Rapporteur supports the United Nations as a forum to develop substantive and action-oriented solutions for the short-, medium- and long-term.**