**Regional Consultation**

**Financing for Development**

**Geneva, 23 March 2015**

# Chair's Summary

## Introduction

1. The Regional Consultation "Financing for Development" was organized by the United Nations Economic Commission for Europe (UNECE) and the Regional United Nations Development Group for Europe and Central Asia (R-UNDG) on 23 March 2015.

2. The consultation took place in response to General Assembly resolution 68/279 of 30 June 2014.

3. The Consultation was chaired by H.E. Michael Gerber, Ambassador, Special Envoy for Global Sustainable Development, Switzerland, and attended by around 150 participants, including experts and representatives of Governments, civil society, private sector, academia and other international organizations. Mr. Wu Hongbo, UN Under-Secretary-General for Economic and Social Affairs and Secretary-General for the Third International Conference on Financing for Development, and Ms. Amina J. Mohammed, the Secretary-General's Special Adviser on Post-2015 Development Planning, addressed the participants.

4. The main focus of the discussions was to identify strategies and instruments the UNECE region has to offer to promote resource mobilization for sustainable development and the implementation of the Post-2015 Development Agenda.

5. This Chair's Summary will be submitted to the Co-Facilitators for the preparatory process of the International Conference on Financing for Development as an input to the preparations for the third International Conference on Financing for Development to be held in Addis Ababa from 13-16 July 2015.

## Financing an ambitious agenda for change

6. The scope of the Post-2015 Development Agenda with universal Sustainable Development Goals (SDGs) is unprecedented and goes far beyond the Millennium Development Goals (MDGs), as it should aim to eradicate poverty in all its forms and to achieve sustainable development in its three dimensions in a balanced and integrated manner. There was a general view that the implementation of the new agenda requires a comprehensive financing framework that matches the ambition of the SDGs. It was stressed that such a financing framework must integrate the three dimensions of sustainable development in a balanced manner.

7. Several participants emphasized the political importance of the Addis Ababa Conference – the first in a series of three major political events in 2015. It will lay the groundwork for the Post-2015 Summit in New York as well as the Climate Summit in Paris. Without an ambitious financing framework that contains concrete deliverables and commitments it will be difficult to agree on a set of new sustainable development goals and to reach a climate agreement.

8. Many participants reiterated that poverty eradication needs to remain at the core of the new agenda. Progress towards lifting the "second half" of poor people out

of poverty will be much more difficult and require more efforts than was the case for the MDGs.

9. There was agreement that the Addis Ababa outcome should build on the Monterrey Consensus and the Doha Declaration. It was noted that the Zero Draft of the outcome document contains issues not covered in the previous frameworks, including on technology, innovation, capacity-building, monitoring and follow-up. These issues were considered by some participants as a necessary update of the financing for development framework in order to implement the full set of Sustainable Development Goals.

10. The composition of international finance flows has changed dramatically since Monterrey and Doha, and the Addis Ababa outcome document needs to deliver a framework that reflects these new realities. Issues such as South-South Cooperation, increased private funds for sustainable development and the emergence of philanthropic actors have transformed the global development finance landscape. There were some views according to which the Zero Draft of the Addis Ababa outcome document seems to do justice to this changed environment. Notwithstanding these changes in the global financial context, some participants stressed the continued importance of domestic financing and ODA for sustainable development.

11. While estimations regarding the cost of financing the implementation of the SDGs are in the trillions rather than billions of dollars, participants agreed that the required money is there. Global savings by far surpass the needs to finance the Sustainable Development Goals. The international community will have to come up with a smart mix of policies and incentives that mobilize all necessary resources. The ECE region will continue to play an important role in this regard.

12. The discussions on financing for development need to take into account the current economic context, including subdued growth rates in large parts of the developed world, a low interest rate environment, a reduced fiscal space and, in some countries, high debt levels. A strong engagement in financing sustainable development will have a positive impact on growth, jobs, stability, inclusion and prosperity in all countries also in the ECE region.

13. Many participants emphasized that the promotion of gender equality and the empowerment of women and girls is a necessary condition to achieve sustainable development. Gender equality is not only a human rights issue but also an important contribution to economic prosperity. The Addis Ababa outcome document should give high attention to financing for gender equality, which constitutes an important goal of the Post-2015 Development Agenda. Proposals included gender sensitive budgeting and tax policies; ensuring equal access to financial resources, land and other productive assets, and integrating gender considerations in ODA investment decisions.

14. Investing in children is a smart economic choice that not only addresses equity concerns but also leads to long-term economic returns and creates enabling environments for sustained growth. Some participants argued that public expenditures should be better targeted on those children who need it most, while ensuring that overall levels of spending are adequate and appropriately tracked and reported.

15. Inclusiveness means that nobody should be left behind. Some participants proposed universal social protection floors as useful instruments to promote

inclusiveness and stressed the importance of human-rights-based anti-poverty strategies. The needs of people with disabilities and vulnerable groups should be addressed as part of an inclusive sustainable financing framework.

**Unlocking private resources for sustainable development**

16. The vast majority of the resources that could be tapped to finance sustainable development are in private hands, including institutional investors, other private savings intermediated by the financial sector, sovereign wealth funds, and large multinational enterprises. The challenge for the Addis Ababa conference is therefore to identify ways to redirect these resources to meet the needs of sustainable development. These approaches to engage the private sector in financing sustainable development should be appropriately reflected in the outcome document.

17. Many participants recognized the increasing availability of private finance for sustainable development. However, some participants stressed that the question to be addressed in Addis Ababa should not only be how more private investment could be channelled to advancing sustainable development but how all investments could become fully aligned with the SDGs. Some examples of policies mentioned to ensure that all investments are sustainable, incorporating fully in particular environmental and climate considerations, included carbon pricing and removal of fossil fuel subsidies. There was broad support for international cooperation to elaborate and apply such instruments by national and international actors on a much broader scale.

18. Strengthened governance, regulations and partnerships are required for sustainability to be at the core of the financial system and of corporate behaviour, including through transparent reporting and regulatory requirements that are in line with the sustainable development goals. Corporate social and environmental responsibility should be pursued inter alia through the implementation of internationally recognized guidelines and principles, including the UN Guiding Principles on Business and Human Rights. The private sector should promote gender equality through actions contributing to women’s economic empowerment.

19. The overall business environment has an obvious influence on attracting private investments and the potential for the private sector to create decent jobs and drive innovation. The role of governments is key in this regard. There is a need for appropriate legal and regulatory frameworks that provide long-term stable conditions for sustainable investments, underpinned by accountable institutions, respect for the rule of law and good governance at all levels. Some participants mentioned the importance of global financial stability as part of an enabling environment.

20. Beyond this, there are some specific barriers on the side of private investors that prevent higher levels of investment in sustainable development. Despite progress, asset managers still fail to recognize the potential of these investments, which require a long-term commitment and face liquidity and risk management issues. Regulatory factors should not prevent, but instead promote, a more significant involvement of institutional investors, such as pension funds and sovereign wealth funds, in financing sustainable development.

21. Public initiatives can increase the amount of private investment to achieve the SDGs. Public or semi-public investors, for example, could act as role models and increasingly align their investments with SDGs while opening new areas for private sector investment. The public sector should identify areas where different forms of

support could induce private investments with a high impact towards the achievement of the SDGs.

22. Blended finance, bringing together concessional public financing with other forms of public and private financing, has the potential to significantly increase money available for sustainable development purposes. Well-designed instruments for effective risk-sharing between the public and private sectors can leverage public funding to bring in much larger private resources. However, some participants pointed out that there is need for further clarification and definition as to what constitutes blended finance and its different modalities. It is also important that blended finance approaches create appropriate incentives for raising additional funding and that risks are fairly shared. Some participants stressed the need to duly protect public interests while developing mechanisms to attract private financing.

23. Public-private partnerships (PPP) hold great promise for tackling infrastructure needs and the provision of some social services, but they require a conducive economic environment, effective legislation and, more broadly, the development of domestic capital markets. Risk mitigation instruments, if properly designed, may encourage the involvement of private investors in particular sectors. Standards, such as those promoted by the UNECE International PPP Centre of Excellence, can facilitate the development of PPP, further transparency and accountability and put people first.

24. Some participants stressed that the efforts to promote the involvement of the private sector in areas critical to the SDGs, including through attractive risk-return rates in these projects, should also address the need for accessible and affordable services for all. Facilitating the engagement of users and consumers in the design of these partnerships would contribute to taking all interests into account.

25. Multilateral development banks (MDBs) have an important role to play, channelling resources to activities with high social returns that are less favoured by private investors. In addition, they work with these investors to increase the impact of their activities and mobilize further resources. They can also provide political and economic risk mitigation and insurance for private investors. Some participants pointed out that MDBs engaged in supporting SDGs might require more capital to appropriately perform these functions.

26. Remittances are an important source of international private finance, which is particularly relevant for some countries in the UNECE region. The potential of remittances to support the implementation of the SDGs could be strengthened by lowering transfer costs and by developing instruments for resource mobilization such as diaspora bonds. It was argued that the Addis Ababa outcome document should address the issue of migration which is linked to, but goes beyond remittances. It includes questions such as recruitment costs, portability of benefits, recognition of skills and the potential of migrants to fill needs in labour markets.

27. Innovative financing can increase both the quantity of funds available for sustainable development as well as their effective use, in relation to both domestic and international resources. It is recognized that innovative financing has been able to attract substantial resources for sustainable development over the past ten years and constitutes one of the fastest growing sectors of the sustainable financing landscape. Innovative financing should be an integral part of future strategies for financing for development, recognizing its ability to better mobilize domestic resources, in particular private financing. However, there is no consensus on what constitutes innovative finance mechanisms, which may include financial transaction taxes, green bonds, advance market commitment and many others. There is a need

for more clarity as to what is meant by the term. Finding a common language will support further the development of innovative financing. Establishing and strengthening reporting mechanisms for innovative financial flows can help to create transparency and accountability.

### Creating a conducive environment for sustainable development at all levels

28. There was a general view that good governance and accountable institutions are at the foundation of each country's development and the starting point for resource mobilization. In this sense, the importance of conducive policies to promote growth and private sector development, timely, open publication of fiscal reports, strengthening tax systems and fighting corruption was repeatedly underlined. Some participants reiterated their support for SDG 16 on the promotion of peaceful and inclusive societies for sustainable development, access to justice for all and effective, accountable and inclusive institutions at all levels.

29. Some participants stressed that sustainable development financing will require strong collaboration across different public institutions, based on institutional mechanisms for collaboration that facilitate coordination across different ministries and administrative levels. These coordination efforts should also engage non-state actors.

30. Domestic public finance or tax revenue is the largest source of financing directly available to governments for investment in sustainable development. It was noted that tax rates in low and middle income countries are on average substantially lower than those in OECD countries and strategies to increase the availability of funding from taxes for sustainable development would need to be given consideration. However, public initiatives to strengthen domestic resource mobilization should not be limited to tax policies, but also target private sector development and consider the impact of public expenditure, including subsidies, which may have a negative impact on sustainable development.

31. Some participants highlighted the need to ensure that sustainable development financing has a clear focus on tackling inequalities and that tax policy should be concerned not only with raising revenues but also with the impact on equality of different tax structures. Some participants pointed out that the burden of indirect taxes falls disproportionally on the poor, which may therefore speak for stronger emphasis on direct taxes to support inclusiveness. The effect of taxes as incentives for behavioural changes that support sustainable development also needs to be taken into account.

32. In addition to a national enabling environment, international cooperation is critical to stop illicit financial flows and optimize tax revenue, both in relation to regulatory aspects and strengthened technical assistance to tax administrations. Some participants stressed the need for higher transparency in tax matters, including making information on beneficial ownership of companies, trusts and similar legal structures publicly available, as well as requiring companies to publicly report financial and non-financial data on a disaggregated country-by-country basis.

33. Several participants underlined the positive developments in the course of the last years, including the work done by the OECD on Base Erosion and Profit Shifting (BEPS). However, there was also some criticism of the lack of inclusiveness of the OECD as the main norm setting body in tax matters. Some participants called for a truly representative intergovernmental body and suggested upgrading the UN Committee of Experts on International Cooperation in Tax Matters into a global

intergovernmental body, as proposed in the Zero Draft, and to further strengthen the work in the UN on tax issues. Other participants expressed reservations to this proposal.

34. There was a general view that trade is of high importance for sustainable development, as integration into the world economy supports economic growth and technology transfer. Offering more open access to advanced country markets can also act as a powerful anchor for transformational development. This integration should be based on a conducive domestic enabling environment and respect for the WTO rules-based multilateral trade system. Regional and interregional trade agreements can be effective building blocks towards wider integration efforts, including in relation to global value chains.

35. The importance of addressing “behind the border” issues was recognized. This includes in particular the integration of trade facilitation into sustainable trade policy, thus leading to lower trade costs. Some participants urged the implementation of the WTO Trade Facilitation Agreement and the conclusion of the Doha Round. Aid for Trade provides a valuable mechanism of support in these efforts, which should prioritize LDCs.

36. Some participants argued that the particular focus on LDCs should include an assessment of the impact of trade agreements on LDCs and the provision of quota and duty free access to the markets of developed, upper middle-income countries and emerging economies.

37. Appropriate policy actions can foster the contribution of cross-border investment to meet SDGs. These may include new investment promotion institutions and strategies, reorientation of investment incentives and new forms of international partnerships with a focus on SDGs. The contribution of regional cooperation was stressed by some participants, focusing on cross-border SDGs infrastructure and other forms of collaboration. Assessing these efforts may require the development of appropriate SDGs investment impact indicators.

38. Trade and foreign investment are major channels for technology transfer. Additional policy actions can be adopted to facilitate access and effective use of technologies in support of sustainable development. International initiatives need to be complemented by the creation of national capacity to absorb and disseminate these technologies and a conducive environment for technological innovation.

## A Renewed Global Partnership for Sustainable Development

39. Several participants highlighted that universality is a key principle in a renewed global partnership, which should address the three dimensions of sustainable development and peace and justice, foster a multi-stakeholder approach and combine all sources of finance. It must reflect a strong determination to end poverty and leave no one behind, while putting gender equality at its core.

40. Given the transformative and integrated character of the Post-2015 Development Agenda, policy coherence for sustainable development is required at all levels, making coordination essential. Some participants mentioned the particular responsibility that developed countries have at the global level in this regard, given their key positions in the world financial system. The need to strengthen the institutional arrangements to support an integrated approach to means of implementation at national, regional, and global levels was also mentioned.

41. Several participants suggested that the Financing for Development process and the Post-2015 Development Agenda should be seen as a single comprehensive agenda. Addis Ababa should define a comprehensive, ambitious and inclusive financing framework for sustainable development that covers all sources of finance and non-financial means of implementation for the Post-2015 Development Agenda. Coherence should also be sought in relation with the ongoing negotiations under the United Nations Framework Convention on Climate Change. Some participants also mentioned the need for a more coherent approach to manage risks and vulnerabilities that bridges the humanitarian-development finance divide.

42. Despite the changed environment in international finance, there was broad agreement that ODA will continue to play an important role to finance sustainable development, in particular for the least developed countries and countries in conflict or fragile situations. Several countries reiterated the need to reaffirm the ODA commitment of 0.7 percent ODA/GNI. Some participants called for timetables by those countries that did not yet achieve this level. In the context of a recommitment to meet this target, some participants. including civil society representatives, called on donors to allocate at least 50% of their ODA to LDCs by 2020.

43. There was a general view that ODA should be used more effectively. To strengthen its sustainable development impact, ODA should increasingly be used to leverage additional public and private resources. The catalytic role of ODA is maximized when resources are invested in the capacities of recipient countries to improve domestic resource mobilization and tax systems. Some participants also raised the question of the relation between ODA and climate finance, in particular the issue of additionality. Support was expressed for the proposal of the UN Secretary-General to task an expert group with developing a coherent framework that accounts for climate financing and ODA.

44. It was noted that many countries have graduated from developing countries status in the past few years and many more will graduate soon. Some emphasized that graduation was a reason for celebration while others noted with concern that the lack of access to concessional finance constitutes a challenge for many newly graduated countries.

45. The ECE region has been at the forefront for developing partnerships between countries of different levels of development and is one of the most diverse regions in the world, including developed and developing countries, and a vast number of countries that fall in neither of these categories. Ensuring that the Addis Ababa outcome document is relevant for middle income countries will be of key importance to a successful new global partnership.

46. There was a general view that a universal monitoring and review framework will be critical to evaluate progress and ensure accountability of commitments. Some participants expressed support for the establishment of a Financing for Development Commission, which would allow for appropriate discussion among relevant representatives of Governments, key multilateral institutions and initiatives, civil society and the business sector. A follow-up mechanism for the Addis Ababa outcome should be linked with the overall Post-2015 Development Agenda follow-up.

47. The High-level Political Forum on Sustainable Development (HLPF) under the auspices of ECOSOC was mentioned as the global forum that provides an institutional framework for monitoring and review of all SDGs and commitments on means of implementation. It was also stressed that additional reporting burdens on countries should be avoided. The importance of open, reliable, disaggregated and timely data was emphasized, with special attention to including marginalized and

disadvantaged groups. Some participants underlined the importance of civil society in monitoring commitments.

48. Participants also affirmed the importance of the regional level in the overall architecture for effective monitoring and accountability. The regional level, in particular, can make a critical contribution to capacity-building, experience sharing and peer-learning, which are essential components of an effective monitoring and accountability framework.