

## **UNECE Regional Consultation on the Third International Conference on Financing for Development**

**Geneva, 23 March 2015**

### **Joint Civil Society Statement**

Civil society organisations (CSOs) welcome the multi-stakeholder character of the regional consultation on the Third International Conference on Financing for Development (FfD) conducted by the UNECE. We appreciate that two civil society speakers were given the opportunity to present CSO positions in one of the sessions, and the chance to participate in the debate and through social media. We would like to flag that the multi-stakeholder character could in future be further improved by including CSOs in setting the agenda and selection of focus themes too.

The following paragraphs summarise interventions made during the regional consultation by Valentina Barbagallo (ONE), Alexandre Cote (International Disability Alliance), Bodo Ellmers (Eurodad), Gitte Gram (IBIS), Eva Hanfstängl (Brot für die Welt), Jean Saldanha (CIDSE), Klaus Schilder (Misereor) and Eva Schmassmann (Alliance SUD). It follows the internationally agreed structure of the financing for development process.

#### **Domestic resource mobilisation and tax justice:**

All governments should take the measures necessary to curb illicit financial flows and boost domestic resource mobilisation capacity as a key to unleashing new funding for development. One essential step is that all governments should require companies to publicly report financial and non-financial data on a country-by-country basis so that governments and companies can be held to account regarding the payment, collection and, in the case of governments, the spending of revenues.

The current Base Erosion and Profit Shifting project (BEPS) at the OECD does not allow the vast majority of the world's developing countries to have an equal say in the negotiations. Furthermore, BEPS is not addressing important issues for developing countries – such as taxation rights and taxation of the extractive sector, which are both crucial for developing countries to effectively mobilise capital for their own development. Thus, UNECE Member States should support the creation of an intergovernmental body on tax cooperation under UN auspices at the Addis Ababa Financing for Development Conference, and should call for a Ministerial Roundtable on international taxation during the conference.

#### **Private capital flows and Public Private Partnerships (PPPs):**

CSOs are concerned about the impact that a scaled-up involvement of the private sector in service provision and infrastructure financing could have for poor and vulnerable people. States have the duty to ensure accessibility to essential services and infrastructure for all, and governments must choose financing options and mode of provision accordingly.

In order to achieve the Sustainable Development Goals (SDGs), we must not only focus on the quantity of financial flows, but also on the quality of these flows. In this regard, we welcome the recognition of development effectiveness principles in paragraph 72 of the Zero Draft of the Addis Ababa outcome document. It is important to apply the same principles (untied aid, alignment of activities with national priorities, joint planning, use of country systems, results orientation, transparency and accountability) to blending and leveraging instruments. The outcome document of Addis Ababa must give a commitment that governments will enforce these principles when leveraging private money and in blended instruments such as PPPs.

If global partnerships with the private sector are to deliver positively on the objectives of poverty eradication and sustainable development a number of preconditions need to be met. It is crucial to build an intergovernmental framework for partnership accountability both in Financing for Development and in implementing the SDGs. This should include a standardised set of transparent system-wide guidelines for such global partnerships, involving private sector actors and UN agencies, in order to set the regulatory policy framework for partnership accountability. A participatory intergovernmental and independent review process should be created to monitor and evaluate the objectives and outcomes of such partnerships or multi-stakeholder initiatives, including the possibility of finding less costly, more efficient mechanisms of implementation.

As part of this review, systematic and independent *ex ante* impact assessments must be put in place that assess the possible economic, social, environmental and human rights impacts beforehand. Independent research and evaluation is needed to effectively monitor partnership implementation, as is the strengthening of UN institutional capacities and provision of additional resources for UN agencies involved in the screening of corporations, preparing legal advice and in monitoring and evaluation tasks. Finally, increased transparency is needed on the financial resources and other contributions from the private sector in global partnerships as in the current context of low, non-standardised reporting and accountability standards and the lack of mandatory conflict of interest policies the assessment of the merits of such partnerships towards poverty eradication and sustainable development remains difficult.

### **Official Development Assistance**

The Addis Ababa Conference must deliver for the most vulnerable and hardest to reach, including girls and women. The role of official development assistance (ODA) is essential in this regard. CSOs are calling on donors to substantially increase their overall commitment to meet the UN target of spending 0.7% of Gross National Income (GNI) on ODA, with concrete binding timetables to meet this target as soon as possible and by 2020 at the latest. ODA must be targeted towards those who need it most. Governments in least developed countries (LDCs) have very limited domestic resources. However, ODA to LDCs has been declining in recent years and these countries currently get less ODA per person in extreme poverty than other developing countries. As one key means for reaching the poorest, we are calling on donors to allocate at least 50% of their ODA to LDCs by 2020.

### **External and Sovereign Debt**

The UNECE region is currently the world's most heavily indebted region. Some countries are in debt crises, and others are at high risk of debt distress. A regional contribution of the UNECE to the Addis Ababa outcome must reflect this. In the decades to come, debt service will be the main competitor for SDG financing when it comes to the use of limited public resources in many European and Central Asian countries. The EU, in a desperate attempt to prevent unavoidable debt restructurings, has implemented second-best crisis management policies that hinder SDG achievement in the EU, and in third countries. Fiscal austerity policies drive poverty, reduce necessary and transformative public investments, and lead to ODA cuts. Current EU trade and exchange rate policies do harm to global development, in particular to countries in the EU neighbourhood. The UNECE region should send a clear signal that current debt problems will be resolved in a speedy and development-friendly manner, and that it participates constructively in ongoing global regime-building processes towards a better debt workout mechanism.

The political agreement to create an effective debt workout mechanism dates back to the Monterrey FfD Summit in 2002. Since last year, the UN General Assembly (UNGA) has the mandate to actually implement and create a multilateral debt restructuring framework. The zero draft addresses the issue, but in a matter that is too weak and vague. The Addis Ababa Accord must send a clear high-

level political endorsement, and commit to conclude the UNGA process with the aim of developing a fair and effective debt workout mechanism that takes human rights and development needs into account when decisions are made.

### **Systemic issues**

The zero draft includes some welcome elements to gear the international financial system to resource sustainable development, e.g. respecting countries' policy space and recognising the importance of capital account and macro prudential regulations. However, trade and investment agreements continue to limit countries' space to regulate finance in the public interest, and must be reviewed to become SDG-compatible. An agreement to complete the financial market regulation reforms is critical, and the EU should come with a Roadmap to Addis Ababa. The EU and other UNECE countries should also show leadership when it comes to innovative financing, and introduce financial transaction tax and carbon taxes, which do not only raise additional revenue but have important regulatory impacts on global public goods.

CSOs recall that the Doha Declaration contained stronger language in many areas on the reform imperative than the zero draft, and that the Stiglitz Report contained concrete proposals that are still awaiting implementation. Civil society has repeatedly drawn attention to the failure of the international community to act on these recommendations. The outcome of Addis Ababa should rectify this.

### **Follow up process**

The implementation of the commitments made in the Addis Ababa Accord will need a strong follow up mechanism. The existing annual ECOSOC Bretton Woods dialogues are not well equipped to monitor the Addis Ababa Outcome nor to propose new action-oriented initiatives. An interagency Task Force – as proposed in the zero draft – to report annually on progress is also not sufficient for a robust follow-up process, as asked for in paragraph 121 of the zero draft.

NGOs therefore call for the establishment of a Financing for Development Commission, so that governments can meet regularly and prepare joint decisions on specific key themes, as well as discuss new challenges.

### **Further CSO inputs to the Financing for Development process:**

Finally, we would like to call attention to two key civil society contributions to the Addis Ababa preparatory process. These contain additional civil society positions that could not be communicated at the Regional Consultation due to lack of space and time. These papers are:

- The global CSO positioning paper: "UN Financing for Development negotiations. What outcome should be agreed in Addis Ababa?" ([Download here](#))
- The EU-focused paper: "Destination Addis Ababa: The European Union's Responsibilities at the Third Financing for Development Conference" ([Download here](#))

We call on UNECE Member States to work towards the realisation of the positions that these papers contain at the Addis Ababa Conference.