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Third International Conference on Financing for Development
Addis Ababa, 13-16 July 2015

Summary by the President of the General Assembly of the substantive informal sessions in preparation for the third International Conference on Financing for Development

New York, October-December 2014

I. Introduction

1. The General Assembly, in its resolution 68/279, requested the President of the General Assembly to provide a programme of work for the preparatory process for the third International Conference on Financing for Development (Addis Ababa, 13-16 July 2015), including substantive informal sessions on relevant thematic areas, of a maximum duration of eight working days.

2. Taking into account the views expressed during the opening session of the preparatory process, on 17 October 2014, the President of the General Assembly, in a letter dated 24 October 2014 addressed to all States, proposed a work programme for the preparatory process, including a timetable for substantive informal sessions.

3. Accordingly, the two main rounds of substantive informal sessions were convened on the themes of "Mobilization and effective use of resources" (10-13 November 2014) and "Enabling environment, systemic issues, follow-up process and learning from partnerships" (9-12 December 2014). The co-facilitators of the preparatory process, George Wilfred Talbot (Guyana) and Geir O. Pedersen (Norway), chaired the meetings.

4. The sessions drew significant interest from Member States, with a high level of participation from capitals, in particular from ministries of finance and development cooperation of both developed and developing countries in all regions. The major institutional stakeholders of the financing for development process, as well as civil society organizations and business sector entities, were fully engaged and prominently represented at the meetings.

5. In accordance with paragraph 10 of resolution 68/279, the President of the General Assembly, with the support of the two co-facilitators and the United Nations Secretariat, prepared summaries of the substantive informal sessions to serve as inputs to the preparations for the Addis Ababa Conference. Those summaries are presented below.

II. Opening session (17 October 2014)

Opening segment

6. The session featured opening statements by the President of the General Assembly; the United Nations Secretary-General; Tekeda Alemu, Permanent Representative of Ethiopia to the United Nations; and the Under-Secretary-General for Economic and Social Affairs and Secretary-General of the Conference.

7. In his opening remarks, the President of the General Assembly stressed that successful implementation of the post-2015 agenda would depend on the mobilization of the full range of financial resources — public and private, national and international — and the reinforcement of the global partnership for development. He noted that the substantive preparation for the Conference would be guided by the Monterrey Consensus and the Doha Declaration on financing for development, the reports of the Intergovernmental Committee of Experts on Sustainable Development Financing and the Open Working Group on Sustainable Development Goals, as well as the synthesis report of the Secretary-General on the post-2015 development agenda. He called for an inclusive preparatory process with the participation of all relevant stakeholders, including financial and trade institutions, civil society and the private sector. He also highlighted some of the key challenges to be addressed at the Conference, in particular the fulfilment of official development assistance commitments, the enhancement of domestic resource mobilization, the role of public-private partnerships, the provision of long-term financing for infrastructure as well as debt sustainability, international trade and the reform of global governance and the international financial system.

8. The United Nations Secretary-General outlined three priorities for 2015: the achievement of the Millennium Development Goals, the agreement on a transformative post-2015 development agenda and the adoption of a meaningful universal climate agreement. He emphasized that financing was critical to achieving these endeavours. The outcome of the Conference would be a major stepping stone for the United Nations Summit for the adoption of the post-2015 development agenda, to be held in September 2015. While the Monterrey Consensus provides a solid foundation, the Secretary-General pointed out the importance of addressing new challenges, such as the impact of the financial crisis, the growth of middle-income countries and the additional costs of climate change mitigation and adaptation. He added that the new financing framework should integrate the three dimensions of sustainable development in a balanced manner and seek coherence with other financing streams, including climate finance. He called for the fulfilment of previous official development assistance commitments and stressed the need to mobilize the full range of financial sources: national, international, private and public.

9. Mr. Alemu expressed the honour and commitment of the Government of Ethiopia to host the Conference. He insisted on the need for strong means of implementation to ensure the success of the summit for the adoption of the post-2015 development agenda. He also called for strong political will and ambitious commitments to mobilize additional resources and financial support for development, adding that the outcome of the Conference should be “Monterrey plus”.

10. The Under-Secretary-General for Economic and Social Affairs emphasized that the Addis Ababa Conference would provide an opportunity to agree on a comprehensive financing framework for sustainable development. He reiterated the main areas of focus of the Conference: (a) reviewing the implementation of the Monterrey Consensus and Doha Declaration on financing for development; (b) addressing new challenges in the mobilization and effective use of financial resources for sustainable development; and (c) reinvigorating the financing for development follow-up process. He pointed out some important features of the Intergovernmental Committee report, which would provide an important input to the Conference. In particular, the report develops an analytical framework for financing sustainable development, proposes over 115 policy options for countries to choose from and suggests areas for advancement of the global partnership for sustainable development. As Secretary-General of the Conference, he called for high-level participation from Member States and the strong engagement of all partners, including the major institutional stakeholders, civil society and the business sector.

Substantive segment

11. The opening of the meeting was followed by a substantive segment, including a presentation by Mahmoud Mohieldin, Special Envoy of the President of the World Bank on the Millennium Development Goals, the post-2015 process and financial development, and a general discussion with Member States and stakeholders.

12. In his presentation, Mr. Mohieldin reiterated that all sources of finance were required to address sustainable development needs. Yet, finance could not do it alone and should be supported by an enabling environment and effective coordination on the ground. He highlighted that, while official development assistance increased to $130 billion in 2013, the share to least developed countries had declined. He called for better targeting of official development assistance to those most in need and underlined its catalytic role in leveraging other sources of finance. He also stressed the need to strengthen the efficiency of public sector finance, including domestic resource mobilization and public spending. The multilateral development banks and the International Monetary Fund (IMF) would finalize a joint issues paper on financing for development by the spring of 2015, to be supplemented by a series of notes for countries in diverse circumstances.

13. In the ensuing discussion, Member States shared their views and comments on the proposed road map for the preparatory process for the Conference.

14. While some Member States expressed their preference to follow the structure and focus areas of the Monterrey Consensus, others stressed that the outcome of the Conference should reflect and address new and emerging issues and capture all capital flows. Specific issues were discussed, such as the duplication of official development assistance and climate finance, South-South cooperation, blended and innovative finance, and trade and sovereign debt restructuring.

15. Participants agreed on the importance of official development assistance. On the one hand, some Member States suggested that international public finance, in particular official development assistance, should be at the core of the substantive preparations for the Conference. On the other hand, it was suggested that other sources of finance should also be an integral part of the agenda.

16. Several Member States emphasized that the preparatory process and outcome document of the Conference should give due consideration to the needs of countries in special situations, in particular African countries, least developed countries, small island developing states and landlocked developing countries.

17. The need for a strong and effective follow-up mechanism was noted. Participants emphasized the importance of robust data and accountability frameworks.

III. Mobilization and effective use of resources (10-13 November 2014)

Session 1: "The global context" (10 November 2014)

18. In a keynote address, the Administrator of the United Nations Development Programme highlighted the progress achieved on the Millennium Development Goals. She suggested that the sustainable development goals should be broader and transformational, and focus on the eradication of poverty, respect for environmental limits and peaceful societies under the rule of law. On the basis of the guidance of the Intergovernmental Committee report, financing for development should be thought of as "Monterrey plus". This should include a review of the progress under the Monterrey Consensus and measures to address new challenges, particularly in the areas of official development assistance and international public finance; the mobilization of private finance; and the mobilization of finance for resilience through improved risk management, especially in the context of climate change and conflict, violence and insecurity.

19. The address was followed by a panel discussion moderated by Alexander Trepelkov, Director, Financing for development Office, Department of Economic and Social Affairs. In his introductory remarks, he presented some major changes in the global context that would be relevant for a future financing framework in the post-2015 context, including changes in economic strength among countries, the recognition of the impact of climate change on global prosperity, limited growth as a result of the global economic and financial crisis, and rising inequalities within and between many countries.

20. The session featured presentations by Maged Abdelaziz, Under-Secretary-General and Special Adviser on Africa; Pablo Fonseca, Secretary for Economic Monitoring, Ministry of Finance, Brazil; Seán Nolan, Deputy Director, Strategy, Policy and Review Department, IMF; James Manyika, Director (Senior Partner), McKinsey Global Institute, and Vice-Chair, President's Global Development Council, United States of America; and Shari Spiegel, Chief, Policy Analysis and Development Branch, Financing for Development Office, UN Department of Economic and Social Affairs.

21. Mr. Abdelaziz highlighted the progress on the Millennium Development Goals in Africa, based on sound macroeconomic policies and economic growth. In contrast, unfinished business needed to be addressed, as did the significant financing gaps in infrastructure and climate finance. A stronger enabling environment would be needed for economic growth and investment, while the capacities for domestic resource mobilization, the management of natural resources and data processing must be strengthened. Trade potential would have to be

harnessed, official development assistance commitments fulfilled and innovative finance instruments explored further.

22. Mr. Fonseca focused on the opportunities and challenges of infrastructure financing, using the example of a successful public-private partnership in Brazil. Owing to tougher regulatory requirements, banks had faced constraints on infrastructure financing. As a result, capital markets had been targeted for funding. This had posed challenges to risk management. He noted that public-private investments could contribute to long-term growth while addressing inequality, a specific challenge to middle-income countries. However, he argued that understanding the conditions and different country contexts was essential. The required capacity for feasibility studies and the complex and time-consuming preparation of such projects were an issue, especially in countries with weak institutional environments.

23. Mr. Nolan presented data from the *World Economic Outlook* to illustrate some of the changes to the global context since 2002. India and China had experienced very strong economic growth rates, while some low-income countries also had grown significantly. At the same time, growth rates in high-income countries had been low, especially since the financial crisis in 2008. Global economic integration had advanced and private flows to developing countries had risen considerably, despite the dip during the financial crisis. Debt to gross domestic product (GDP) ratios had fallen, while government revenues had increased. Developing countries — especially emerging markets — could access private capital markets at better rates than 15 years ago. However, in the short run, a return to high growth rates was unlikely, even though the outlook was not as uncertain for low-income countries.

24. Mr. Manyika discussed major global trends in technology and innovation. Prosperity was rising and more than 2 billion people were expected to join the consuming class by 2025, in conjunction with the spread of technology. The contribution of the internet to GDP was already larger than many other sectors, e.g., agriculture, even though a wide gap remained between developed and emerging economies. Parallel to the spread of technology, there would be a shift of economic strength from the West to the East and the South, as well as increasing urbanization. Global flows of goods, services and finance would double, at least, by 2025. Knowledge-intensive flows were gaining importance relative to labour- and capital-intensive flows. The challenges would be to ensure inclusive growth and job creation as well as managing the pressure on resources.

25. Ms. Spiegel presented trends in financial flows since 2002. While all flows had increased, official development assistance to least developed countries had fallen. Private flows were not allocated to the countries and sectors most in need. Many private flows had been highly volatile and short-term-oriented. In particular, institutional investors, who were often looked to as a solution for financing long-term investments, generally invested through financial intermediaries with short-term incentives. Government policies were necessary to incentivize long-term investment. Blending private and public sources of finance could be a part of the solution in some countries and sectors, but countries most in need frequently lacked the capacity to build and manage these partnerships successfully.

Discussion

26. Member States noted that the outcome document of the Addis Ababa Conference should build on the Monterrey and Doha Conferences and the United Nations Conference on Sustainable Development, and provide the financing framework for the post-2015 development agenda. The need for an updated financing framework that reflected changes in the global and regional context, such as the shift of economic strength, was recognized. Sustainability in its three dimensions — economic, environmental and social — was seen as an integral part of a new framework.

27. Poverty eradication was seen as the central objective of the Conference. The critical role of official development assistance and other international public finance, in particular for least developed countries, was highlighted. Donor countries were urged to fulfil existing commitments. Some Member States emphasized that South-South cooperation should be seen as a complement, not a substitute, to North-South cooperation.

28. Since the sustainable development agenda is expected to be broader than the Millennium Development Goals, some Member States suggested that least developed countries would need additional resources. Suggestions included the allocation of 50 per cent of official development assistance to them and duty-free and quota-free access to markets.

29. Various Member States raised the point of reforms to the international financial system and governance, including stronger participation of developing countries and the introduction of a debt restructuring mechanism.

30. Civil society representatives underscored some key challenges, notably raising resources for a broad sustainable development agenda, targeting the consequences of the financial crisis and addressing inequality. The issues of insufficient income from taxes, unfulfilled official development assistance commitments and challenges related to the blending of public and private finance were emphasized. There were also calls to address governance questions in the international financial system and to establish a legal debt framework and an inclusive tax forum.

31. Private sector representatives emphasized the need for specific financing mechanisms at the municipal level and a review of institutional and regulatory frameworks for improved risk mitigation.

Session 2: "Raising domestic resources for sustainable development" (11 November 2014)

32. In a scene-setting presentation, Atul Kohli of Princeton University emphasized that, while a favourable global setting was important, development was mostly a domestic challenge. He argued that, from a historical point of view, no country had ever industrialized or developed without an active role of the State or by relying primarily on foreign resources. He used the development trajectories of Asian countries to illustrate his points, including higher domestic savings rates; lower levels of external debt; more diverse foreign direct investment; more diversified economies with higher exports of manufactured goods; and lower inequality.

33. This was followed by a round-table discussion with Benedict Clements, Division Chief, Fiscal Affairs Department, IMF; Luis Maria Capellano, Under-

Secretary for Public Revenue, Ministry of Economy and Finance, Argentina; and Pekka Ruuhonen, Director General of Tax Administration, Finland. Alvin Mosioma, Director, Tax Justice Network-Africa, served as a discussant.

34. Mr. Clements reported that tax revenue as a share of GDP had generally increased in low- and middle-income countries in the past two decades, but was still substantially lower than in high-income countries. Developing country revenues from value-added taxes had increased more than revenues from corporate and personal income taxes, while revenues from trade taxes had declined. In addition, he emphasized that developing countries faced significant challenges in protecting their corporate tax base from erosion and profit-shifting. He identified six priorities: strengthening tax administrations; building effective real estate and personal income taxes; addressing international avoidance opportunities and scaling back wasteful tax incentives; building effective extractive industry tax regimes; pricing energy to reflect damage to the environment; and deepening experience-sharing and cooperation.

35. Mr. Capellano noted the critical role played by the Government of Argentina and the challenges faced in both raising resources and using them efficiently. He highlighted the importance of tax instruments to support multiple objectives equally: economic growth, sustainable development and equitable redistribution of resources. He also provided several examples of tax measures implemented in Argentina, including exemptions and reduced tax rates on essential goods and services, and progressive rates for personal income and property taxes, as well as special measures aimed at promoting investments, research and employment. He noted that Argentina was strongly committed to fighting international tax avoidance. Finally, he highlighted the importance of international cooperation and investments in information technology and human resources in strengthening the capacity of national tax administrations.

36. Mr. Ruuhonen outlined Finland's experience in collecting tax revenues, with a focus on the role played by the national tax administration in achieving high compliance. He stressed that, while uncollected taxes could be as high as 45 per cent of expected tax revenue without efforts by administrations to ensure compliance, it was possible for the tax gap to be reduced to as little as 3-5 per cent, as it was in Finland. He reported that Finland had achieved a high tax compliance rate over time because of the trust placed by taxpayers in the tax administration. He emphasized that this trust had been built by improving the efficiency of tax administration, digitalizing tax services, and increasing the accessibility of taxpayer services and other forms of support, including pre-filled-out tax returns.

37. In commenting on the previous presentations, Mr. Mosioma noted the wide consensus that taxation was the most important and reliable source of finance for sustainable development. He argued that, in implementing tax reforms to increase domestic public resources and mitigate inequality, the distributional implications should be analysed and monitored very carefully, especially with respect to consumption taxes, which could have detrimental regressive effects. He stressed the importance of broadening the tax base and tackling base erosion and profit-shifting, and the need for enhanced tax transparency. He also suggested an overall reconsideration of tax incentives, which might have little real benefits He called for increased international tax cooperation and the establishment, under the aegis of the United Nations, of a new intergovernmental body responsible for leading an inclusive process of reform of international tax rules.

Discussion

38. A key theme concerned effective bureaucracies and efficient tax administration, and the role that capacity-building might play in this regard. There was a debate about how much emphasis should be placed on trying to build trust through effective communication and compliance versus simple reforms and administrative efficiency and compliance. There were calls for a larger share of official development assistance in building the capacity of tax administrations.

39. It was suggested that redistributive policies aimed at reducing inequality should be the foundation of any development-led tax reform. While some speakers favoured consumption taxes, others argued that consumption taxes had regressive impacts. There was also a discussion about how taxation could affect women's rights and gender equality.

40. Speakers also emphasized the need to address harmful tax competition. Interventions emphasized the lack of efficacy of tax holidays and incentives in terms of attracting foreign investment. Other speakers said that evidence with regard to the effectiveness of tax incentives was mixed and that good governance was a pre-requisite to bringing additional investment through tax incentives. Some suggested minimum corporate tax floors and regional cooperation on setting tax rates.

41. Addressing illicit financial flows was also a major topic of discussion, with a focus on commercial tax evasion and avoidance through base erosion and profit-shifting. Some said that enhanced tax transparency and exchange of information mechanisms should be top priorities for developing countries to prevent losses of tax revenues. Enhanced international tax cooperation was also thought to be critical to supporting inclusive and participatory processes aimed at implementing more development-oriented approaches. There was also a call for greater progress on the return of stolen assets.

42. Some speakers considered that domestic resource mobilization would be insufficient for countries in special situations, such as small island developing states, to meet their national development priorities. Owing to economic factors such as a limited resource base, increasing costs associated with the adverse impacts of climate change, sea level rise and frequent natural disasters, those countries should be provided with increased and more effective official development assistance, as well as better market access and improved access to finance.

Session 3: "Mainstreaming sustainable development criteria and effective use of public finance" (11 November 2014)

43. The session was moderated by Mansur Muhtar, Co-chair of the Intergovernmental Committee of Experts on Sustainable Development Financing. It featured presentations by Benedict Clements, Division Chief, Fiscal Affairs Department, IMF; Vinicius Pinheiro, Deputy Director, International Labour Organization office for the United Nations; William Dorotinsky, Acting Director, Governance and Public Sector Management Practice, World Bank; Yoganath Sharma Poudel, Undersecretary, Ministry of Finance, Nepal; Rainer Kattel, Professor of Innovation Policy and Technology Governance, Tallinn University of Technology; and Claire Schouten, International Budget Partnership.

44. Mr. Clements presented an IMF study that found that energy subsidies were worth approximately $2 trillion worldwide, with approximately $500 billion in explicit pre-tax subsidies. He identified the ingredients for successful subsidy reform from 22 country case studies, including a comprehensive reform plan with clear long-term objectives; a far-reaching communications strategy; appropriate phasing and sequencing of reforms; improvements in the efficiency of State-owned enterprises, including improved collection of energy bills; targeted mitigating measures to protect the poor, with a preference for targeted cash transfers; and depoliticizing price-setting.

45. Mr. Pinheiro said that the financial crisis showed that the positive countercyclical impact of social protection was enormous because it supported aggregate demand and recovery. He also argued that these programmes paid for themselves because expenditure had high multiplier effects. The main constraint was political will. He stressed that there were no magic bullets for financing and gave five options: domestic resource mobilization; reorienting existing expenditure; efficiencies savings; international resources; and debt relief and debt restructuring.

46. Mr. Dorotinsky presented the positive correlation between good governance and growth as well as the pernicious effect of corruption on service delivery and private investment. The World Bank was not just focusing on technical interventions, but also tackling governance and corruption at a broader level with the engagement of citizens, private enterprise and Governments. He gave examples of successful improvements in service delivery, including using participation and transparency. He also stressed the importance of the political landscape and governance at the highest levels.

47. Mr. Poudel focused on gender-responsive budgeting. He mentioned targeted policies and programmes for gender equality and women's empowerment in Nepal. Looking ahead, opportunities should arise from a new, gender-responsive constitution and aid effectiveness agenda that incorporated financing for gender equality. There was also the need to implement social protection measures targeting women and to address the disproportionately low economic participation of women.

48. Mr. Kattel spoke on public procurement as development finance. He emphasized the importance of public funding for development via innovation. In that regard, procurement was an important source of funding for the private sector as well as a way of spreading technologies. He highlighted two types of procuring innovations: creating new technological solutions and markets for those solutions; and distributing new and existing technological solutions that served to enhance markets and competitiveness. Regardless of method, he stressed that Governments needed to build capacity and skills in procurement, including by utilizing skilled staff in order to plan and evaluate procurement.

49. Ms. Schouten discussed budget transparency and citizen participation. She made three recommendations: full transparency should be guaranteed on government revenues, aid and expenditures targeted to each of the development goals; governments should create appropriate mechanisms for public participation in budgeting; and government spending on each sustainable development goal should be monitored as part of the "means of implementation". This will require defining a process for global and national level monitoring of government spending targeted towards each goal.

Discussion

50. Two major themes of discussion centred on the means of increasing the efficiency of government expenditures and of better targeting disadvantaged population groups. Technology could be useful to connect information and policies on cash transfers, education, food and health care. Technical assistance and information-sharing across countries were also critical.

51. Subsidies other than those for fossil fuels were also discussed. Speakers stressed a practical approach with a general preference for targeted subsidies and focusing resources on access to basic services.

52. A number of speakers discussed how the leakage of funds through corruption could undermine effective spending. It was highlighted that corruption and lack of transparency could sometimes be an issue in procurement. At the same time, caution was needed not to exclude domestic businesses owing to onerous bidding requirements related to interventions to tackle corruption.

53. In the discussion on social protection floors, it was proposed that corporate compliance with social security contributions be used as a condition of bidding in government procurement tenders. There was also a proposal that all Governments commit to a minimum spending package for social services that would be adapted to their country income level.

54. Participants discussed the importance of national governance and transparency through strengthening oversight and supreme audit institutions. It was suggested that all firms be required to list all payments to the Government in their financial disclosures. Another suggestion was that Governments should publish documents they already had, such as budget data and procurement contracts, to improve transparency and accountability.

Session 4: "Official development assistance and aid effectiveness" (12 November 2014)

55. In his opening remarks, Amar Bhattacharya, Senior Fellow at the Brookings Institution, noted the great progress made since the Monterrey Conference in the realm of international public finance, but stressed that the context had changed significantly. On the supply side, fiscal pressures in donor countries had had an impact on the supply of official development assistance, while other resources had become more important. On the demand side, 80 per cent of the overall population of developing countries lived in middle income countries, implying new demands on such assistance.

56. The session featured presentations by Erik Solheim, Chair of the Development Assistance Committee of the Organization for Economic Cooperation and Development; Harpinder Collacott, Director of Engagement and Impact at Development Initiatives; David Roodman, public policy consultant; Dorothy Mwanyika, Deputy Permanent Secretary, Ministry of Finance of the United Republic of Tanzania; Vitalice Meja, Coordinator, Reality of Aid Africa Network; and Smita Nakhooda, Research Fellow, Overseas Development Institute.

57. Mr. Solheim highlighted the significant development successes of recent decades. He also pointed out that resources were sufficient to meet financing needs. Nonetheless, he noted that official development assistance would continue to play

an important role. He underscored four areas where the Conference could make a difference: increases in official development assistance, with a particular focus on assistance for the least developed countries; support to domestic resource mobilization, both through targeted official development assistance and addressing illicit flows; greater incentives for private investment in developing countries; and smarter and more effective use of official development assistance. He also reported on ongoing efforts to modernize the definition of official development assistance in the Development Assistance Committee, stressing both the transparency of the process and the commitment not to increase assistance figures artificially.

58. Ms. Collacott stressed the importance of official development assistance in eradicating poverty. She noted that 83 per cent of the absolute poor lived in countries that had both very limited capacities to raise domestic public resources and comparatively low growth projections. For those reasons, assistance should be targeted where the poorest lived. While official development assistance currently targeted poverty better than other flows, this could and should be further improved.

59. Mr. Roodman emphasized that a more multipolar world required the joint resolution of global challenges, which highlighted the importance of seeing aid in the broader context of trade, migration and other policies that affected development. He also highlighted that certain types of aid had proved to be effective, such as health aid and direct giving. Those successes would be critical to creating and maintaining political support for official development assistance.

60. Ms. Mwanyika noted the large role that official development assistance played in the United Republic of Tanzania. In terms of modalities, the country preferred budget support, which facilitated its use in line with national priorities and under the supervision of parliament. For that reason, she regretted the decreasing appetite among donors for budget support. To increase official development assistance effectiveness further, she called for greater predictability of aid flows, the use of national systems and mutual accountability mechanisms.

61. Mr. Meja emphasized the importance for developed countries to meet the target of 0.7 per cent of gross national income for official development assistance and called for a binding mechanism to achieve this goal. He also noted that many middle income countries still relied on such assistance to finance some of their needs. He stressed the importance of the Busan principles for aid effectiveness, in particular democratic ownership and the participation of all stakeholders. Forums such as the United Nations Development Cooperation Forum had the ability to bring all stakeholders together in an inclusive manner.

62. Ms. Nakhooda stressed that the poorest people were concentrated in countries most vulnerable to climate change. To address those challenges, developing countries required international public finance, in line with existing commitments under the United Nations Framework Convention on Climate Change. However, those resources drew from the same pool that provided development finance. There was a substantial role for official development assistance in the delivery of fast-start finance, as climate-related official development assistance had grown rapidly. These overlaps had implications for allocation, with climate-related assistance targeted more toward middle-income countries and the Asia-Pacific region.

Discussion

63. Many delegations emphasized that existing official development assistance commitments had to be met, with some calling for clear and concrete timetables. Additional official development assistance was also needed in view of increasing international public finance flows dedicated to climate change mitigation and adaptation in developing countries, which was largely counted as official development assistance, and risked diverting it from least developed countries.

64. There were also calls to increase the effectiveness of official development assistance, for example, by increasing its predictability and flexibility, by untying aid and by making greater use of budget support as an aid modality.

65. Different perspectives were raised with regard to the most desirable allocation of official development assistance. There was broad agreement that poverty should be the priority concern for assistance flows. Some also called for official development assistance to increase capacity for domestic resource mobilization, while others noted that the potential to raise revenue from taxation would remain severely limited in many countries.

66. Many speakers endorsed a greater focus of official development assistance on least developed countries and other vulnerable countries. There was agreement that the trend of declining assistance for least developed countries should be reversed. Suggestions were made to allocate 50 per cent of all official development assistance to least developed countries. Others voiced their concern that classifications and allocations based solely on income per capita would neglect other factors, such as structural vulnerabilities, and emphasized the continued need for official development assistance for many middle income countries.

67. Several questions were raised with regard to the efforts of the Development Assistance Committee to modernize the official development assistance concept. Speakers voiced their concern over how concessionality was being calculated and noted that proposals to take country risks into consideration in a renewed measurement could incentivize higher lending to countries at risk of debt distress.

Session 5: "Additional sources of international public finance: concessional lending, innovative sources of financing and South-South and triangular cooperation" (12 November 2014)

Panel 1: "Harnessing additional sources of international public finance"

68. In his introduction, Amar Bhattacharya, Senior Fellow at the Brookings Institution, pointed to the significant potential to mobilize additional resources and leverage financing through the multilateral development bank system.

69. The panellists were Joachim von Amsberg, Vice President of Development Finance, World Bank; Gargee Ghosh, Director of Development Policy and Finance, Bill and Melinda Gates Foundation; and Rodney Schmidt, policy and evaluation consultant.

70. Mr. von Amsberg highlighted the role of multilateral development banks in using public resources to leverage large amounts of private resources to facilitate investments needed for sustainable development. He noted that most concessional resources should be concentrated with a view to achieving efficiency and equity by targeting the poorest countries and by investing in public goods. He also spoke of

plans to increase the impact of World Bank lending further, including through increased financial leverage and by leveraging concessional finance windows.

71. Ms. Ghosh suggested that significant additional resources could be unlocked for development by implementing a number of specific innovations. These included targeting official development assistance grants to the poorest countries for basic human development; targeted support for and access to concessional finance for lower-middle-income countries; assistance to developing countries to attain tax-to-GDP ratios of 20 per cent; more support for private finance, with philanthropic and concessional finance to fill remaining gaps; and funding for investments in research and development at scale.

72. Mr. Schmidt focused on the potential of innovative development financing mechanisms, such as a financial transaction tax to raise resources for sustainable development. It is estimated that this measure, to be implemented in 2016 in 11 European countries, would generate $45 billion annually and could raise $75 billion if implemented across the European Union. However, there had been no decision to allocate those resources to development. Finally, he noted that a carbon tax would be an alternative idea to raise significant new resources for sustainable development.

73. In the ensuing discussion, delegations noted efforts by the Leading Group on Innovative Financing for development to mobilize resources complementary to official development assistance and highlighted the willingness of the Leading Group to contribute constructively to the formulation of the post-2015 development agenda.

74. Points were made that concessional lending could contribute to debt crises and that the International Development Association of the World Bank had adopted a policy to make grants available only for countries in high debt distress.

Panel 2: South-South and triangular cooperation

75. In his opening remarks, Navid Hanif, Director of the Office for Economic and Social Council for Support and Coordination, noted that South-South cooperation, in the form of loans, grants and technical cooperation, was estimated to have been $16-19 billion in 2011. Its key features were that it was demand-driven, predictable and fast.

76. Panellists included Sachin Chaturvedi, Director General, Research and Information System for Developing Countries, New Delhi, India; Hazem Fahmy, Secretary General, Egyptian Agency of Partnership for Development; Admasu Nebebe, Director, United Nations Agencies and Regional Economic Cooperation Directorate, Ministry of Finance and Economic Development, Ethiopia; and Cosmas Gitta, Assistant Director, United Nations Office for South-South Cooperation.

77. Mr. Chaturvedi reported on new institutions that Southern countries were setting up to address their priorities. These included the New Development Bank, the Asian Infrastructure Investment Bank and reserve funds such as the Chiang Mai Initiative. Those regional efforts allowed for the safeguarding of the economic interests of Southern countries.

78. Mr. Nebebe reported on the significant impact that South-South cooperation had in Ethiopia, in particular in the area of infrastructure investment. Official

development assistance had a critical role in helping to achieve the Millennium Development Goals, but it tended to focus less on domestic resource mobilization, trade and investment. South-South cooperation was a successful complement to North-South cooperation. He also noted the critical role that the former was playing in knowledge and technology transfer.

79. Mr. Fahmy briefed the audience on Egyptian development cooperation. Egypt had two technical cooperation funds historically and had recently established an Agency of Partnership for Development. He mentioned several concrete examples of partnerships, including in the areas of education and health.

80. Mr. Gitta highlighted the role of the United Nations system in facilitating South-South cooperation. This includes the sharing of knowledge and experiences, supporting regional cooperation initiatives and new and hybrid forms of financing, and mobilizing the private sector and philanthropic actors.

81. In the ensuing discussion, several delegations highlighted their positive experiences with South-South cooperation and triangular cooperation programmes, and shared success stories. There was also agreement that South-South cooperation was a complement to, rather than a substitute for, North-South development cooperation. Many also saw a role for traditional donors in supporting South-South cooperation, for example, in the areas of knowledge and technology transfer, and through resources that supported knowledge transfer within the South. Speakers also called for a strengthened response of the United Nations system to South-South cooperation and for its mainstreaming within the United Nations.

Session 6: "Exploring the nexus between financial sector development, financial inclusion and financial stability" (13 November 2014)

82. In her introductory remarks, Marilou Uy, Executive Director of the Group of 24 Secretariat, highlighted the need for the financial sector to contribute to the real economy. She encouraged speakers to explore the distinct dimensions of financial sector development as well as their interconnectedness.

83. The session featured presentations by Leora Klapper, lead economist in the finance and private sector research team of the Development Research Group, World Bank; Claire Walsh, Policy Manager, J-PAL, Massachusetts Institute of Technology; Chuchi Fonacier, Managing Director, Central Bank of the Philippines; Peter Graves, Senior Vice-President, World Council of Credit Unions; Dilip Ratha, Manager, Migration and Remittances Unit, World Bank; and Henri Dommel, Director, Inclusive Finance Practice Area, United Nations Capital Development Fund.

84. Ms. Klapper highlighted four objectives that financial sector development should pursue: financial depth (measured as private credit to GDP), access to financial services, greater efficiency in credit intermediation and financial stability. Governments had an important role in providing consumer protections and enforcing a regulatory environment in support of financial stability. She mentioned recent data from the World Bank showing that 2.5 billion people remained unbanked, with women disproportionately affected. She emphasized the potential for innovative technologies to promote financial inclusion. In that context, regulators should nurture innovation and allow for competition from providers in alternative sectors, such as mobile banking.

85. Ms. Walsh shared the outcome of randomized controlled trials on financial inclusion, in particular microcredit and microsavings. On the basis of the outcome of eight evaluations in seven countries, microcredit showed no significant impacts on income and only minor positive impacts on business investment; however, it helped borrowers to facilitate consumption and cope with risks and shocks. Moreover, it had a positive impact on nutrition, gender empowerment and well-being. For their part, microsavings products had a positive effect on wealth, assets and income, although these findings were driven by a small proportion of active users.

86. Ms. Fonacier shared the lessons of the financial inclusion strategy in the Philippines. The challenges were enormous, with 37 per cent of cities and municipalities without access to a banking office and with services concentrated in high-income areas. She stressed the need for an enabling environment and regulations. Technological innovation was a key ingredient, since it made it possible to serve more people in real time with lower costs. She emphasized the need to regulate and supervise small financial institutions and e-money providers, in particular their capital adequacy, licensing procedures, governance and risk management. However, she highlighted the need to apply a proportionate approach to ensure that the required measures would be commensurate to the level of operations.

87. Mr. Graves said that his organization represented 208 million members of credit unions in 103 countries and had $ 2 trillion in assets. While the number of credit unions in Africa, the Middle East and Asia were smaller in terms of members and assets than other regions, Asia and Africa had a large number of very small credit unions. Credit unions were non-profit, democratically controlled organizations. While the focus was mostly on individuals/households, the challenge was to extend the loan portfolio to small and medium-sized enterprises.

88. Mr. Ratha highlighted that remittances had reached $413 billion in 2013. He argued that remittances were more stable than foreign direct investment and could act as insurance for poor people. The major challenge was to reduce lending costs, which remained exorbitantly high (8 per cent costs on average at the global level, 12 per cent on average for Africa and 30 per cent on average for within Africa). He recommended relaxing global anti-money laundering and counter-terrorist financing rules for remittances smaller than $1,000 and abolishing exclusive partnerships with post offices. Moreover, the creation of non-profit remittance platforms could disrupt the market and force change.

89. Mr. Dommel emphasized that the United Nations Capital Development Fund was one of the few UN agencies with capital (grants, loans, and equity investments). The agency used its resources to help mobilize access to domestic savings products, which was more important than access to credit. Moreover, since its budget was relatively low, the Fund was trying to use its limited resources in a catalytic way with the objective of leveraging access to domestic commercial lending. The agency also promoted South-South cooperation to bring equity investment into microsavings institutions.

Discussion

90. It was noted that the Conference could galvanize momentum for comprehensive financial inclusion strategies. Governments could lead the way by switching to digital financial payments.

91. Several participants stressed the need to address gender disparities in the discussion on financial inclusion. Mobile payments would help where women could not access traditional banking institutions. Moreover, balanced gender representation in the governance structures of financial institutions was important to influence their policies.

92. With regard to randomized controlled trials, it was emphasized that the evaluation had focused on the impact of microcredit to households and was not focused on microenterprises. Investments in small enterprises might be more effective because they could increase employment.

93. Several participants emphasized that remittances were private economic transactions and should not be seen as a substitute for aid. A large number of speakers underlined the need to reduce remittance costs. One representative noted that his country had published the different costs of remittances online, which had created competition and lowered remittance costs to 6 per cent.

Session 7: "Long-term finance for sustainable development" (13 November 2014)

94. The session featured two panels moderated by Shari Spiegel, Chief, Policy Analysis and Development Branch, Financing for development Office, Department of Economic and Social Affairs.

Panel 1: International capital flows, long-term investment and blended finance

95. The panellists were James Zhan, Director, Investment and Enterprise Division, United Nations Conference on Trade and Development (UNCTAD); Gavin Anderson, Executive Counsellor, Banking, European Bank for Reconstruction and Development; Magnus Eriksson, Deputy Chief Executive Officer and Chief Investment Officer, AP4 (Swedish Pension Fund); Sachindra Rudra, Chief Investment Officer, Acumen; and Jesse Griffiths, Executive Director, European Network on Debt and Development.

96. Mr. Zhan provided an overview of trends in foreign direct investment flows. While developing countries' share had increased and reached 54 per cent of global flows, it remained concentrated in a few countries. Moreover, foreign direct investment to least developed countries, small island developing states and landlocked developing countries remain at low levels. He argued that there was significant potential for greater investment, not least owing to the large cash holdings accumulated by multinational corporations. He stressed the need to link foreign investment more closely with the development strategies of recipient countries and suggested establishing investment promotion agencies that focused to a greater degree on sustainable development and ensuring a well-prepared pipeline of projects.

97. Mr. Eriksson underscored that markets had become highly focused on short-term returns. In contrast to many investors, the Swedish Pension Fund was able to take a longer-term approach and operated with a 40-year horizon. This emanated

from the mandate set by the Board, which was to contribute to the stability of the national pension system through managing Fund capital with the aim of generating the best possible return over the long term. As a result, AP4 had been able to take into consideration such factors as sustainability, while at the same time having a commercial approach and working in the interest of pensioners.

98. Mr. Rudra explained that Acumen was an "impact investor" that attempted to achieve both a financial return as well as social good. It tried to support social entrepreneurs by addressing the funding gap in early-stage private enterprises. Many of their investments combined philanthropy with for-profit investment. Using the example of Acumen's investment in an enterprise in Bihar, India, he showed that the process had begun with grant financing, which attracted more traditional finance as the company became more sustainable.

99. Mr. Anderson emphasized that blending had been an important part of the financing model of the European Bank for Reconstruction and Development and that the Bank never took a stake larger than 35 per cent in any of its investments. Blended financing had been used in a range of sectors where financing for sustainable development had been constrained, including sustainable energy, infrastructure and small and medium-sized enterprises. The Bank had worked with commercial banks and institutional investors for project investment. While some blended finance projects may have been financed by the private sector, the inclusion of public financing may have paved the way for different and more sustainable activities by the private sector.

100. Mr. Griffith argued that private investment could not substitute for public investment. He emphasized that 80 per cent of infrastructure spending in developing countries had been publicly financed. For this to continue, it is important to increase tax revenues by tackling tax evasion, tax avoidance and tax competition. In that regard, he pointed out the need for a United Nations intergovernmental committee on international tax cooperation. Mr. Griffith stressed that private investments remained weak in low-income countries and that foreign direct investment inflows had been volatile and concentrated in the extractive sectors. He emphasized the need to focus on national development banks as an instrument for mobilizing sustainable development finance. In general, he stressed that it was not appropriate to use official development assistance for leveraging private finance and that public-private partnerships had been the most expensive form of financing.

101. In the ensuing discussion, some participants said that public-private partnerships often ended up being a debt instrument, with the only revenue stream flowing from Governments to the private investor. It was stressed that such partnerships should be structured to ensure that the Government did not take most of the risks, while the private sector retained the benefits.

102. With regard to the volatility and impact of foreign direct investment flows, it was argued that, while a large amount of foreign direct investment earnings flowed out as repatriated earnings, a significant amount remained in the host countries and was reinvested.

103. A delegation pointed out that a fraction of the investments made by sovereign wealth funds could have a significant impact if channelled to sustainable development. On the other hand, it was stressed that sovereign wealth funds were

generally profit-oriented and not channelled to areas where the risk/return profile was not favourable.

Panel 2: "The potential of environmental, social and governance initiatives to increase long-term investments into sustainable development"

104. The panellists were Georg Kell, Executive Director, United Nations Global Compact; Elliott Harris, Director, New York Office, United Nations Environment Programme (UNEP) and Head of Secretariat, UN Environment Management Group; Steve Waygood, Chief Responsible Investment Officer, Aviva; and Magnus Eriksson, Deputy Chief Executive Officer and Chief Investment Officer, AP4 (Swedish Pension Fund).

105. Mr. Kell asserted that there was a quiet revolution happening in the business community. The business world was changing owing to an increase in transparency, with markets increasingly taking a longer-term view on investments that underpinned future growth rates. He emphasized the importance of voluntary initiatives by companies to integrate sustainability criteria into business decisions. He stressed the importance of the Principles for Responsible Investment initiative, which had been signed by institutional investors managing $45 trillion. He underscored the importance of incorporating environmental, social and governance criteria into companies' investment decisions.

106. Mr. Harris stated that the UNEP Finance Initiative was a partnership between UNEP and institutional investors that aimed to see how environmental, social and governance factors could have an impact on financial decisions and how financial sector participants could contribute to sustainable development. He pointed out that governments had an important role to play in setting incentives (shifting the balance between non-sustainable and sustainable activities), requiring disclosure and preparing bankable sustainable projects. He indicated that many initiatives required companies to make disclosures. Yet, there was an insufficient degree of standardization.

107. Mr. Waygood argued that the current structure of the financial system undermined sustainable development. He encouraged the integration of environmental, social and governance issues into investment criteria. Price signals should change to ensure that externalities were internalized to improve the readiness of investors to integrate sustainability issues. In addition, there was a need to change incentives within the system to make shorter-term time horizons less rewarding for investors. He also stressed the need to increase transparency across the various categories of intermediaries, through integrated reporting by companies, investment banks, stock exchanges, asset managers, investment consultants and asset owners.

108. Mr. Eriksson emphasized that long-term investors were well placed to take sustainability into account. He cited climate change as a long-term threat to the environment and economy, which undermined pension funds' returns. He mentioned that AP4 had developed and invested in a low-carbon strategy with a long investment horizon. As part of this strategy, it evaluated stocks of Standard and Poor's 500 companies by their carbon footprint. On the basis of this criteria, it has excluded 100 companies. He emphasized that the performance of its low carbon fund had been very positive and generated high returns since its inception.

109. In the ensuing discussion, one of the issues raised was the better integration of environmental, social and governance matters into companies' reporting and decision-making processes. In addition, some participants indicated that pricing and performance criteria throughout the investment chain could help to change the short-term time horizons of investors and businesses.

110. There were calls for an accountability framework that monitored the impact of foreign direct investment on marginalized groups and for ways of incorporating human rights into the investment considerations of foreign investors.

111. Some participants raised questions about how to attract sustainable investments to least developed countries. It was argued that investment focused on environmental, social and governance factors could be appropriate for least developed countries and that appropriate engagement of all stakeholders at the local level would be critical to ensure that proper benefits accrued.

112. Reference was made to the framework on business and human rights proposed by former Special Representative of the Secretary-General on business and human rights John Ruggie, which rested on three pillars: the State duty to protect against human rights abuses by third parties, including business; the corporate responsibility to respect human rights; and greater access by victims to effective remedies, both judicial and non-judicial.

IV. Enabling environment, systemic issues, follow-up process and learning from partnerships

Session 8: "International monetary and financial system; regulations to balance access to credit with financial market stability" (9 December 2014)

113. The session was moderated by José Antonio Ocampo, Professor of Professional Practice in International and Public Affairs, Columbia University, and former Minister of Finance of Colombia. In his opening remarks, Mr. Ocampo emphasized the significance of the Monterrey Conference in advancing the global discourse on the reform of the international monetary and financial system. However, the recent financial crisis revealed systemic flaws, regulatory gaps and misaligned incentives in the international financial and monetary systems. The Addis Ababa Conference could help establish an enabling environment in support of the post-2015 development agenda.

114. The session featured presentations by Tarisa Watanagase, former Governor of the Bank of Thailand and Alliance for Financial Inclusion Associate; Rupert Thorne, Deputy Secretary General, Financial Stability Board; Athanasios Arvanitis, Assistant Director and Chief of the Emerging Markets Division, Strategy, Policy and Review Department, IMF; and Catherine Schenk, Professor of International Economic History, University of Glasgow.

115. Ms. Watanagase highlighted the need for central banks to pursue policy measures to prevent boom-bust cycles and promote sustainable growth in line with a country's economic potential. Central banks should pursue the dual mandates of price and financial stability. It was important to avoid accommodative monetary and fiscal policies for extended periods of time, since these could result in asset bubbles and imbalances that threatened economic stability. She proposed several areas for

further discussion: the relationship between capital flows and price and financial stability; effective monitoring and assessment of systemic risk; greater use of financial sector assessment programmes for systemically important countries; analytical capacity-building; and governance structures that protected the mandate of central banks to maintain financial stability from outside interference.

116. Mr. Thorne recalled that, in 2009, the leaders of the Group of 20 (G20) had committed to a fundamental reform of the global financial system. The objectives had been to fix the fault lines that had led to the crisis and to build a safer international financial system to serve the real economy better. In his view, agreement on the first phase of reforms had been substantially completed. The next phase of reforms was to address new and constantly changing risks by making banks more resilient, ending "too-big-to-fail", transforming shadow banking into resilient market-based financing and making derivatives markets safer. The Financial Stability Board made efforts to reach out to developing countries by strengthening the voice of the ten members of the Board who represented emerging market economies and through regular regional consultations. It was also important to understand the effects of regulatory reforms on developing countries.

117. Mr. Arvanitis described recent efforts of IMF to strengthen the global financial safety net. He emphasized the frequency of systemic crises over the past few decades. Capital flow volatility had continued to pose risks to emerging market economies. As a response, a multilayered global safety net had emerged over the past decade, which included self-insurance through reserve accumulation, bilateral swap lines, regional financial arrangements and global initiatives. He emphasized that each layer of insurance faced its own particular challenges. For example, opportunity costs for reserve accumulation were significant; bilateral swap lines had to cope with concerns about credit risk and consistency with central bank mandates; and regional financial arrangements were frequently small in size. While there were important synergies across all four layers, fragmentation had also increased.

118. Ms. Schenk provided a historical perspective on reforms of the global monetary system. She highlighted that, in the early 1970s, the international monetary system had faced challenges similar to the current trends, including volatile commodity prices, spillover effects from volatility of the US dollar and vulnerability to volatile capital flows. Although there were debates on several proposals, such as the introduction of a substitution account and greater use of IMF special drawing rights, the actual international monetary reforms included regional monetary solutions (e.g., the European Monetary System) and international cooperation to manage reserves as well as coordinated multilateral and bilateral swaps. Some lessons that Governments might draw from history were the need to coordinate long-term and short-term interventions, and to aim for more flexible informal arrangements.

Discussion

119. Many delegations called for greater multilateral cooperation to ensure financial and monetary stability. However, reform efforts must not have any negative impact on developing countries and should not place undue regulatory burdens on them. The importance of taking the local context into consideration in the design of new regulatory frameworks was emphasized.

120. Many speakers called for broader representation of developing countries in global norm-setting bodies and international financial institutions. With regard to governance reform at IMF, speakers emphasized the importance of the ratification by its largest shareholder of the 2010 quota reform package. There were calls for an increased role for the United Nations in the coordination of regulatory and financial reform.

121. Several speakers emphasized that reserve accumulation was a legitimate policy tool for self-insurance that was far less costly than the financial and economic impacts of crises. The imperative was to increase the stability of the financial system to reduce the need for self-insurance. Different perspectives were expressed on potential reforms of the reserve currency regime, particularly with regard to the use of special drawing rights.

122. Many delegations highlighted the need to balance regulatory reforms with adequate access to long-term financing and small and medium-sized enterprise finance, especially for developing countries. Some expressed their concern that reforms such as Basel III had already limited access to finance for developing countries.

123. Some speakers noted that national development banks could play a pivotal role in providing finance for sustainable development. Moreover, they could provide countercyclical credit in times of macroeconomic instability.

Session 9: "International Tax Cooperation" (9 December 2014)

124. In a scene-setting presentation, Vito Tanzi, former Director of the Fiscal Affairs Department at IMF, outlined possible tax reforms with a view to increasing tax revenues for development, including: re-evaluation and reassessment of established tax principles; restrictions on the use of debt in place of equity; development of a formula to allocate profits among tax jurisdictions; greater use of withholding taxes; greater use of source taxation; increasing pressure on tax havens; and limiting deductions for the use of intellectual property. Mr. Tanzi proposed a so-called "Manhattan Project" of tax, which would pull together international organizations to jointly study solutions to growing tax evasion and avoidance. At a later stage, this working group might evolve into a formal organization (such as the sometimes-suggested world tax organization) that could be responsible for the promotion of tax principles and surveillance of countries' tax policies, but not actual tax collection.

125. In his opening remarks, Alex Trepelkov, Director of the Financing for development Office, Department of Economic and Social Affairs, stressed that fair and effective tax systems were central to the financing of sustainable development. The Addis Ababa Conference had the potential to strengthen international tax cooperation and help to identify priorities for reform. International tax organizations should facilitate a more development-oriented approach to setting and updating international tax norms, enhancing transparency and information exchange mechanisms, and strengthening national tax administrations.

126. The session featured presentations by Eric Mensah, member of the United Nations Committee of Experts on International Cooperation in Tax Matters; Ruud de Mooij, Deputy Division Chief, Tax Policy Division, Fiscal Affairs Department,

IMF; Marlies de Ruiter, Head, Tax Treaty, Transfer Pricing and Financial Transactions Division, Centre for Tax Policy and Administration, OECD.

127. Mr. Mensah introduced the role of the Model Tax Convention on Income and on Capital in avoiding double taxation of profits while preserving tax revenues in the host country of investment. He pointed out that the Model responded to developing countries' concerns in being less dependent on a "bricks and mortar" presence before a country could, under tax treaties, begin to tax profits made there. This was especially important in the service economy, which was less reliant on such physical presence for economic engagement with a country. The next version of the Model would provide source State taxation of profits on certain types of services without the need for a physical presence in the country. Other areas of the work of the Committee of Experts included guidance in addressing international profit-shifting and tax issues relating to extractive industries.

128. Mr. de Mooij identified two main spillovers affecting developing countries: base spillovers, by which one country's actions directly affected others' tax bases (such as policies on whether foreign-sourced profits were taxed); and strategic spillovers, by which such policies induced changes in other countries' tax policies (such as increasing tax incentives or decreasing rates). He noted that some issues were of special concern to developing countries. One was the potential for tax treaties to reduce the taxation rights under the domestic law of "source countries". Another was how to tax extractive industries effectively, including if a capital gain is realized offshore. A further issue was how to deal with pervasive tax incentives and the "race to the bottom" in granting them.

129. Ms. de Ruiter noted that international overlaps leading to double taxation had been the historical focus of the work of the OECD, but there was now greater recognition that economic growth was also hampered by double non-taxation, as multinational enterprises often shifted their profits to where the tax gaps were. She explained that the OECD/G20 base erosion and profit-shifting project was intended to contribute to improving coherence of tax systems by coordinating countries' domestic legislation; resetting the international tax norms to realign taxation with economic activity and value; and improving the transparency, certainty and predictability of international taxation. She indicated that OECD was moving from consultation to the participation of developing countries in its base erosion and profit-shifting project.

Discussion

130. Some delegations called for greater representation of developing countries in international tax policy settings. It was also noted that smaller States should be involved as co-drafters of global standards, with realistic timetables and means of implementation.

131. Several speakers emphasized the need for stronger data on the deficiencies of the international tax architecture and for better information flows to developing countries in order to combat tax abuses. There were calls to map and address the challenges faced by developing countries in their efforts to participate fully in, and benefit from, country-by-country reporting and automatic exchange of information.

132. Some speakers underscored that the Conference could be instrumental in addressing insufficient levels of official development assistance directed at strengthening tax systems in developing countries.

133. Participants discussed the risks to investment and development caused by double taxation as well as unilateral and inconsistent base erosion and profit-shifting measures taken by individual States. With regard to such measures, issues related to customs, value added and income taxation should be addressed.

134. Some speakers underlined the continuing lack of a globally inclusive norm-setting body on international tax cooperation at the intergovernmental level and expressed support for making the Committee of Experts an intergovernmental body, as a subsidiary body of the Economic and Social Council.

Session 10: "Debt crisis prevention and resolution" (9 December 2014)

135. In her opening remarks, Benu Schneider, Senior Economic Affairs Officer, Financing for development Office, Department of Economic and Social Affairs, drew attention to the progress made in crisis prevention in the aftermath of the East Asian crisis and in improving bond contracts with the introduction of collective action clauses. She emphasized that recent judicial rulings against some heavily indebted poor countries and emerging market economies illustrated persistent legal gaps in dealing with holdout creditors.

136. The session featured presentations by Andrew Powell, Principal Adviser, Research Department, Inter-American Development Bank; Richard Kozul-Wright, Director, Division on Globalization and Development Strategies, UNCTAD; and Richard Gitlin, President, Richard Gitlin and Company.

137. Mr. Powell presented a number of empirical findings, assessing the performance of the current system since 1979. He highlighted the long delays between default and final restructuring and those before default after the onset of unsustainability. Very often, countries acted too late and achieved too little. He stressed the problems of creditor litigation and the difficulty of placing countries back on track for sustainable growth. He also outlined approaches for better risk-sharing of bond contracts, including the revision of the IMF Articles of Agreement, an anti-vulture-fund piece of legislation, additional contractual proposals and institutionalized options, including a debt forum and "resolvency" procedures analogous to a World Trade Organization process.

138. Mr. Kozul-Wright expressed the view that financial systems were very different from those 20 years ago and remained dominated by interdependent private actors generating more systemic risks and instability. Moreover, unstable financial flows hit developing countries harder than developed ones. He stressed that the changing nature of developing countries' debt situation and the improvements in many countries were due not only to better policies, but also to favourable external conditions, improved access to capital markets, high remittances and better trade conditions. However, in his opinion, the next 15 years would be more difficult for developing countries. He outlined three basic principles that any effective mechanism for debt crisis prevention and resolution should uphold: a temporary standstill on payments, authorized by an independent authority; lending into arrears to ensure that the debt crisis did not become a spiralling economic crisis; and a

restructuring process that was mutually agreed upon and conducted under the auspices of an independent arbitrator for fair risk-sharing.

139. Mr. Gitlin was of the opinion that the international community was not ready for a statutory system of sovereign debt resolution because many powerful countries did not feel the need for it. However, he considered the work of the United Nations on debt restructuring to be a positive development. He explained that countries in trouble started to fix their problems too late and that the fix was often inadequate. Instead, they should find politically viable methods to start the dialogue earlier — before a crisis — through a forum for continuous and participatory reasoning. He argued that an international sovereign debt forum to facilitate informal discussion among all relevant stakeholders could offer countries a neutral place for dialogue to develop politically acceptable solutions or, at least, the building blocks for such solutions. It could be a standing body of globally accepted facilitators, with a small staff to keep institutional memory of debt restructurings and to consolidate processes and resources.

Discussion

140. It was recognized that debt was an important tool of development finance if used in a responsible way. Many participants highlighted the need for better debt sustainability and called for a stronger focus on prevention than resolution and restructuring.

141. Several speakers expressed support for the establishment of an international debt forum to deal with sovereign debt restructuring. Some participants insisted on key principles, such as neutrality, accountability, inclusiveness and transparency.

Session 11: "Fostering science, technology and innovation" (10 December 2014)

142. In his opening remarks, David O'Connor, Chief of the Policy and Analysis Branch, Division for Sustainable Development, Department of Economic and Social Affairs, noted the critical role that science, technology and innovation would play in meeting the goals to be contained in the post-2015 development agenda. Progress was needed in accelerating technological progress and scaling up the spread of knowledge and technology. These urgent challenges would require policy action and could not be left to markets alone.

143. The session featured presentations by Xiaolan Fu, Professor of Technology and International Development at Oxford University; William Lazonick, Professor and Director of the University of Massachusetts Centre for Industrial Competitiveness; and Khalilur Rahman, Secretary of the Secretary-General's High-level Panel on Technology Bank for the Least Developed Countries.

144. Ms. Fu presented a number of differences between developing and developed countries in the area of science, technology and innovation, such as the uneven distribution of patent applications, journal papers and investments in research and development. One notable exception was information and communication technologies, where there had been significant catch-up by developing countries. Nonetheless, she noted that most of the innovations carried out in developing countries were low-cost innovations, with the lack of finance as a critical constraint. In terms of policy actions, she suggested that both public and private financing

would be needed at the national level to provide different types of finance for different stages of the technology cycle.

145. Mr. Lazonick said that innovation was ultimately derived from enterprises. Yet, innovation was an uncertain, collective and cumulative process, which implied that enterprises relied on societal relations and collaboration with other stakeholders, such as universities, on a developmental state. For this reason, countries should take a strategic approach to implementing national innovation strategies. Organizational integration and long-term financial commitments were particularly needed. He also noted that, in developing countries, innovative enterprises played a key role in adapting knowledge to achieve indigenous innovation.

146. Mr. Rahman reminded the audience that the least developed countries were facing the greatest challenges in achieving technological progress and did not have access to traditional mechanisms of technology transfer. To address this gap, the Istanbul Programme of Action aimed to establish a technology bank that would promote national action and mobilize international support. In November 2014, a high-level panel had been set up to conduct a feasibility study for the bank, which would serve as a science, technology and innovation support mechanism to assist least developed countries in human and institutional capacity-building; as a patents bank to help such countries secure intellectual property at negotiated or concessional rates; and as a science and technology depository facility, supporting their access to scientific literature and helping to broker research collaboration.

Discussion

147. There was broad agreement that science, technology and innovation were critical for all countries and should be a key component of the global partnership for sustainable development. Several speakers noted that developing countries lacked the financial resources to prioritize investments in science, technology and innovation.

148. Some speakers pointed out the importance of access to and transfer of technology at the international level. There was a call for a greater share of official development assistance to be dedicated to financing research and development. The complementary and important role of South-South cooperation in that regard was also mentioned.

149. In terms of national policies, speakers called for a focus on skills development and education, as well as a financial sector that was geared towards financing investments in innovation and productive capacities. Finally, the importance of non-traditional knowledge was highlighted.

Session 12: "Investment regimes for sustainable development" (10 December 2014)

150. The panel was moderated by Richard Kozul-Wright, Director, Division on Globalization and Development Strategies, UNCTAD. He emphasized that the Monterrey Consensus had called for a transparent, stable and predictable investment climate. Since then, numerous bilateral investment agreements had been signed, and developing countries had found it difficult to navigate a very fragmented landscape. In this context, the Intergovernmental Committee called on the international community to explore steps toward a multilateral approach to investment regimes

that more adequately balanced the interests of all stakeholders and took sustainable development considerations fully into account.

151. The panellists were Elisabeth Tuerk, Chief, International Investment Agreements Section, UNCTAD; Sarah Anderson, Director of the Global Economy Project at the Institute for Policy Studies; and Jeswald Salacuse, Professor of Law, Tufts University, and president of the international arbitration tribunal under the auspices of the World Bank's International Centre for Settlement of Investment Disputes.

152. Ms. Tuerk noted that fewer bilateral investment treaties had been signed in recent years. On the one hand, there was an upscaling, with larger groups of countries involved in treaties covering a greater number of issues. On the other hand, there was a trend for "disengagement" by some countries that had recently cancelled or modified treaties. More than 50 investor-state dispute settlement cases had been filed in 2013, which had led to public debate on the impact of investment agreements on national policy space. She outlined some possible paths for the reform of dispute settlement, including the introduction of an appeals facility, improved transparency and the creation of a standing international investment court.

153. Ms. Anderson stressed that the system of investment treaties was in a deep crisis of legitimacy and needed a broad overhaul. She noted investor-State cases against the promotion of green energy, capital account regulations and laws to combat the negative effects of smoking. Expensive lawsuits often followed, with high claims for damages. Her main suggestion was to abolish investor-State dispute settlement mechanisms or to require, at a minimum, that investors exhaust domestic legal remedies first.

154. Mr. Salacuse remarked that investment treaties were focused on controlling political risk for foreign investors. The challenge was to adjust the existing system to render it compatible with sustainable development goals. He emphasized that States controlled the process and could still direct reforms. He made several proposals, including specific and explicit recognition of States' rights to regulate in the treaties; obligations not to reduce health, safety and other standards; and more references to sustainable development. With regard to dispute settlement mechanisms, he suggested that treaties should place more emphasis on such alternative dispute settlements as mediation and conciliation.

Discussion

155. Several participants questioned whether investment treaties were an effective means to attract foreign direct investment and cited evidence of countries that eschewed such treaties and were nevertheless recipients of significant investment. Others noted that small economies might benefit from signing treaties. There was agreement that investment treaties were not sufficient to attract foreign investment and that broader policy measures were necessary.

156. One theme in the debate was the development of an international investment treaty template that could incorporate environmental safeguards and protection in other priority areas. However, some argued that a template would not be enough and that there should be a meaningful accountability framework for the business sector in the context of the post-2015 development agenda. Some suggested including

minimum environmental and social standards as mandatory, with a particular focus on climate and ecological risks.

157. There were calls for capacity-building in developing countries to address national governance constraints and a concrete proposal to explore a facility similar to the Aid for Trade initiative for investment.

158. With regard to dispute settlement mechanisms, there were calls for a comprehensive review of existing treaties in the context of the Conference and for a moratorium on dispute settlement mechanisms. Others cautioned that local courts might not be in a position or have the resources to take on investor-state settlement cases. Reference was also made to the Rules on Transparency in Treaty-based Investor-State Arbitration, recently adopted by the United Nations Commission on International Trade Law, which aimed to improve transparency in the investment arbitration regime.

Session 13: "Trade regimes for sustainable development" (10 December 2014)

159. William Milberg, Dean of the New School for Social Research, opened the session by highlighting some of the main changes to international trade since the Monterrey Conference, both in terms of trade negotiations and in trade patterns and structures. In particular, he noted that the World Trade Organization had been overshadowed by negotiations on mega-regional trade agreements and that trade was being transformed by linkages between trade in goods, trade in services and investment.

160. The session featured presentations by Guillermo Valles, Director, Division on International Trade in Goods and Services and Commodities, UNCTAD; Jennifer Bair, Assistant Professor of Sociology, University of Colorado; Joaquim Tres, Regional Integration Instruments Coordinator, Integration and Trade Sector, Inter-American Development Bank; Paulo Correa, Lead Economist and Acting Practice Manager for the Innovation Technology and Entrepreneurship Unit in the Trade and Competitiveness Global Practice of the World Bank Group; and. Deborah James, Director of International Programmes, Centre for Economic and Policy Research.

161. Mr. Valles argued that trade policy was a means of both implementation of the sustainable development goals and financing development. He underlined that previous discussions on trade, such as in the context of the Millennium Development Goals, had been too limited and, in particular, too focused on tariffs. He stressed that many other elements of trade policy should be considered, such as non-tariff barriers and competition policy.

162. Ms. Bair emphasized that the presence of value chains was neither bad nor good, but that it was important to analyse the structure and governance of specific value chains to understand their impact on sustainable development. She underlined that production now involved complex webs of relationships between multiple countries and firms. Countries must import in order to export, so the rules of origin that form part of trade agreements had very important implications about the location of imports as well as exports along the value chains.

163. Mr. Tres emphasized the importance of trade for growth. He questioned the effectiveness of trade liberalization, noting that, despite significant trade liberalization and reduction of tariffs, trade in the Latin American region had remained at about 6 per cent of the global total for decades. He described how the

lowering of tariffs had revealed new costs, for example, in the areas of trade facilitation, trade security and poor infrastructure.

164. Mr. Correa placed trade in the context of poverty reduction. He emphasized two contradictory effects: trade increased growth and thus reduced poverty in the long run, but it might increase poverty and inequality in the short term. He emphasized the importance of complementary policies, such as education and labour market policies, which could enhance the benefits from trade. Labour mobility and competition policy were considered particularly important.

165. Ms. James argued that trade agreements had harmed developing countries. She stressed that trade agreements had entered into areas of domestic policymaking that had nothing to do with trade and that countries needed policy space to advance their own development strategies. She argued against the creation of monopolies based on patents, especially health care and climate-friendly technologies. In agriculture, she suggested that the goals of food security policies and support for farmers should be given higher priority than trade policies. She also recommended that rules on trade in services not forcibly liberalize the delivery of public services.

Discussion

166. A key theme was how trade had changed since the Monterrey Conference, including the development of global value chains and the increase in overlapping preferential trade agreements and mega-regional trade agreements. There was a debate about the proliferation of regional agreements, with complicated mismatches in rules of origin that created high transaction costs.

167. A debate proceeded on whether the impact of trade should be measured in terms of trade volumes or other outcomes. Several panellists argued that more trade was better than less trade and cited the empirical literature. Others insisted that this had not been borne out by the evidence on growth in all cases and that sustainable development outcomes were what mattered.

168. A recurrent point was the impact of agricultural subsidies in developed countries and how they hurt the poorest farmers in least developed countries. One suggestion was to ensure that trade-facilitating transport infrastructure was designed to ensure that people in poorer regions had access to quality public services as well as access to markets.

169. Several other topics were mentioned in the discussion, including the incorporation of environmental and social standards into trade agreements and policies, the importance of trade finance and the fact that trade mispricing was a key component of illicit financial flows.

Session 14: "Closing data gaps and strengthening statistical capabilities" (11 December 2014)

170. James Manyika, Director, McKinsey Global Institute, opened the session by describing the data revolution that was currently unfolding and the accompanying phenomenon of big data.

171. The panellists were Haishan Fu, Director, Development Data Group, World Bank; Ranjit Tinaikar, Managing Director of Asset Management, Thomson Reuters; Yesim Sisik, Director, Central Bank of Turkey; Ronald Jansen, Chief, Trade

Statistics Branch, United Nations Statistics Division; Ethan Weisman, Deputy Chief, Balance of Payments Division, IMF; Juan Manuel Valle Pereña, Director, Mexican Agency for International Development Cooperation; and Papa Seck, Statistics Specialist, United Nations Entity for Gender Equality and the Empowerment of Women.

172. Ms. Fu presented the recent report by the Independent Expert Advisory Group on the Data Revolution for Sustainable Development. She stressed that many parts of the world were deprived of the essential data, with 70 countries lacking data to monitor poverty trends and some 30 countries not even conducting household surveys. She argued that the ongoing explosion in data availability was driven by the private sector and needed to be integrated into public policies. She highlighted three priorities: supporting government capacity to use new statistical tools; promoting smart investment in development data while preventing human rights abuses and invasion of privacy; and building country-level capacity to produce data.

173. Dr. Tinaikar discussed how big data could help overcome the barriers to investment in the sustainable development goals. In his opinion, big data could lead to quicker and more complex analyses, thus allowing for increased investment. New open standards were allowing combinations of traditional indicators with other data, such as credit card sales or other unstructured data. He argued that there were poor investment benchmarks to guide sustainable investments and credit ratings, which was a key bottleneck for debt markets. He explained that environmental, social and governance databases already existed and needed to be compatible. He welcomed greater cooperation between the public and private sectors, and suggested working with governments on anti-money-laundering compliance.

174. Mr. Jansen described the international system of economic and financial data standards, handbooks and manuals, and stressed the need to make both short-term and long-term investments in statistical systems to handle new demands. Attention also needed to be paid to closer cooperation between central banks, finance ministries and financial markets, with statistical offices acting as the coordinator. While he suggested the use of big data to gain new insights, big data was not a replacement for, but a complement to, traditional surveys, which were infrequent, but needed, to benchmark big data estimates.

175. Mr. Weisman stressed the need for comparable, integrated, standardized and transparent data. He said that the work on government finance statistics was lagging farthest behind. He insisted that efforts to enhance the quality of basic statistics were needed in many countries. He also argued that international institutions could be the facilitators of public-private cooperation by setting standards that the private sector could implement. He announced that IMF was launching a free online data initiative: as from January 2015, all of its data that was already online would be free.

176. Ms. Sisik stated that the financial crisis highlighted the need for better, more timely and more comparable data. She highlighted the urgent need to produce new datasets of international financial flows data on a ”from whom, to whom” basis, disaggregated by amount and type of instruments. However, she said it was important to obtain the right data from the right respondents in the private sector.

177. Mr. Valle discussed Mexico’s experience with reporting data on South-South cooperation. He emphasized the importance of transparency for citizens and, from

the policymaking perspective, to learn lessons and improve effectiveness. Because South-South cooperation consisted of capacity-building and technical assistance, there were measurement and evaluation challenges. Experience-sharing was difficult to measure because it was not provided by the aid agency only. He emphasized the importance of the legal framework for transparency and indicated Mexico's support for the Open Government Partnership.

178. Mr. Seck discussed the progress in producing gender statistics. He warned that we should not mistake gender statistics for sex-disaggregated data. In the financing area, there was a lack of data on unpaid care work carried out by women, as well as asset ownership and entrepreneurship on the part of women. The application of unused data would be an easy fix, but governments should invest more in analysis and open access to data. He noted that only one in seven countries had a legal basis for the collection of gender statistics. He also emphasized the importance of understanding the gender impact of budgets and expenditure allocations.

Discussion

179. Participants pointed out the importance of public-private partnerships in generating data. It was suggested that the private sector was willing to cooperate, but would need open data standards provided by the global statistical community. It was indicated that public-private partnerships should not be thought of as competing arrangements, but as tools for finding synergies.

180. Participants also discussed improvements in the granularity of data on financial flows. One example was the IMF work on the Global Legal Entity Identifier. This related to the discussion on missing data regarding beneficial ownership in business registries. Other topics were "from whom, to whom" information and subnational geographical data on foreign direct investment as well as currency, maturity and interest rate disaggregation of data on public and private debt instruments.

181. Privacy and confidentiality were also discussed. Robust legal protections for data security and privacy were mentioned as tools to enable citizens and businesses to trust data-gathering initiatives. At the same time, it was underscored that being unable to share individual and corporate data might prevent important activities, such as checking bilateral discrepancies between the home and host country of foreign direct investors or verifying trade statistics.

182. There were calls for increased investments, including in terms of official development assistance, in national statistical capacities and offices to help countries obtain basic data and information.

183. Additional areas of missing data were discussed, including business-to-business and peer-to-peer transactions; good benchmarks for understanding the biases in big data; environmental statistics; disability-disaggregated data; corporate sustainability data or green bond indexes; data on philanthropic investments; and investment opportunities and rules.

Session 15: "Enabling and conducive governance, including global economic governance" (11 December 2011)

184. In his opening remarks, Olav Kjorven, Director, Public Partnerships Division, United Nations Children's Fund, set the scene by highlighting the need for more

effective governance arrangements at the local and global levels due to the growing ecological footprint, social unrest and competition between countries and other actors.

185. The panellists were Barney Frank, former United States Representative; Simone Monasebian, Director, United Nations Office on Drugs and Crime, New York office; Aleksei Mozhin, Executive Director at the IMF (Russian Federation); Ambassador Eduardo Galvez, Director General of Multilateral Affairs, Government of Chile; Alexia Latortue, Deputy Assistant Secretary for International Development, United States Treasury; and Roberto Bissio, Executive Director, Third World Institute, Uruguay.

186. Mr. Frank observed a general trend away from multilateralism in the United States and Europe, and less willingness to relinquish some sovereignty for the sake of international cooperation. General discontent and goodwill in the population were fuelled by growing inequalities within countries. In that context, he pointed out that scepticism on foreign aid was on the rise in the United States. He also argued that it would be difficult to retain the support for foreign aid of people with liberal values when recipient countries violated basic human rights. Moreover, he called on countries not to use complex financial instruments that were poorly understood and emphasized the importance of domestic regulations and institutions.

187. Ms. Monasebian argued that success stories would have to be identified and shared to persuade countries to give up parts of their power. A case in point was the United Nations Convention against Corruption, which introduced important ideas such as peer review mechanisms. She elaborated on the Convention's review mechanism, which included 173 States, over 50 per cent of which had already completed the review. This review would allow the Convention to tailor technical assistance to particular needs of countries and engage a wide range of stakeholders.

188. Mr. Mohzin highlighted that the IMF quota and governance reform was stalled as a result of refusal by the United States Congress to ratify the 2010 reform package. He indicated that the current quota determination process was more transparent than before and used a linear formula with four variables: GDP (50 per cent), openness (30 per cent), variability (15 per cent) and reserves (5 per cent). The openness variable created a bias against large countries and favoured small open economies. He also warned against too much optimism for significant change, citing the current global economic context.

189. Mr. Galvez highlighted the importance of a global enabling environment for domestic policies to achieve sustainable growth. He insisted that the discussion during the Conference in Addis Ababa should not lose focus on systemic issues and should secure the participation of Heads of State. He argued for reform of the relevant global institutions. In addition, he appealed to Member States not to make decisions outside universal institutions. He also highlighted that the Monterrey Conference had not been about financing the Millennium Development Goals, but about how to support countries in achieving their goals through a broad framework, including trade and other means of implementation.

190. Ms. Latortue emphasized that global economic governance continued to evolve. She recognized the fragmented character of the multilateral architecture and the lack of progress in some areas of reform. Yet, many important reforms had been implemented. Another important change was that emerging economies were

contributing funds to concessional windows. The G20 would be a critical place to discuss global economic issues, but the challenges of small countries should be considered as well. She highlighted potential trade-offs between representation and effectiveness. She also pointed to issues related to common values and norms, for example, in the field of human rights, the environment and procurement.

191. Mr. Bissio focused on the governance requirements for public-private partnerships. He described studies from OECD countries, where those partnerships were found to be more expensive than standard public projects, and thus cautioned against using them in developing countries. He urged Member States to consider alternatives to channel resources for infrastructure financing and pointed to the need for more transparency and oversight with regard to blended finance, as well as stronger due diligence before public-private partnerships were established. He also explained that, when Governments needed to cut budgets, they could not phase out public-private partnerships because they would become subject to investor-State dispute settlements.

Discussion

192. Several Member States emphasized the need for better representation of developing countries in global economic governance. They called for a reform of the international financial institutions and highlighted the need for policy space for developing countries. In addition to representation, the role of transparency and accountability for governance was highlighted.

193. The importance of the rule of law was stressed, and calls were made for stronger cooperation to prevent tax evasion and illicit flows. Member States asked about practical steps that the Conference could promote to address corruption and stability for entrepreneurship, innovation and investment.

194. Some Member States highlighted the need for the G20 and the Group of Seven to consider the interests of smaller economies. Civil society representatives proposed that, instead of Governments waiting for the G20 or the Financial Stability Board to reach out to them, the multi-stakeholder dialogue in the financing for development process should be further developed through the holding of regular meetings that would bring together all relevant stakeholders.

195. Business sector representatives suggested that more countries should adopt International Finance Corporation standards. It was also recommended that a balanced approach be taken to public-private partnerships and that options be considered to strengthen implementation, including the use of official development assistance to leverage private finance and build domestic capacities for project formulation and implementation.

Session 16: "Learning from partnerships" (12 December 2014)

196. The session started with a keynote address by Birima Mangara, Deputy Minister of Economy, Finance and Planning, Senegal. Mr. Mangara spoke about the importance of crafting national sustainable development financing strategies to support a country's development ambitions, using Senegal's "Emerging Senegal" plan as an example. Such strategies needed to be inclusive and to integrate the three dimensions of sustainable development. He noted that Senegal's plan drew on various sources of financing, including international cooperation, innovative

financing schemes and public-private partnerships. It also ad led to the establishment of a strategic investment fund and national development bank. He stressed that, given the considerable amount of remittances flowing into Senegal, policymakers were hoping to design mechanisms to enhance their developmental impact.

197. The session was moderated by Barry Herman, Visiting Senior Fellow at the Graduate Programme in International Affairs of the New School in New York. He stressed the difference between the global partnership for development, as embodied in both Millennium Development Goal 8 and the Monterrey Consensus, and partnerships, which were of a multi-stakeholder nature and had been set up to meet specific goals or priorities.

198. The session featured presentations by Jeffrey D. Sachs, Director of The Earth Institute, Columbia University; Naoko Ishii, Chief Executive Officer and Chairperson of the Global Environment Facility; Mercy Ahun, Special Representative to Global Alliance for Vaccines and Immunization-eligible countries at GAVI; and Nick York, Director of Country, Corporate and Global Evaluations, World Bank Independent Evaluation Group.

199. Mr. Sachs stressed the continuing need for international public finance, which could not be replaced by private financing flows. After noting the complementarity between public and private financing, he focused his presentation on three kinds of public-private partnership: partnerships for delivering services for the poor, such as GAVI and the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (where private companies worked closely with the public sector and public financing), which could be applied to other sectors, such as education; partnerships for deep technological change (where public involvement would be critical to achieving technological breakthroughs); and partnerships for large-scale development of energy systems and infrastructure (where private investment required public sector guidance). He said that the Conference would be a unique opportunity to frame such partnerships and to unlock savings for sustainable development investments.

200. Ms. Ishii recalled the history of the Global Environment Facility in servicing several multilateral environmental agreements and noted its experiences with partnerships between public and private agents. She suggested that public-private partnerships could play a key role in three critical areas: energy systems, cities and land use. Specifically, such partnerships would allow for the reduction of private sector risks and facilitate innovation and investment; help to break down silos within national Governments and contribute to mainstreaming environment sustainability into national policies; and contribute to providing global public goods, such as in the areas of climate and oceans.

201. Ms. Ahun presented the achievements of GAVI as an example of a successful and unique model of international public-private partnerships, operating in the poorest and most conflict-affected countries. GAVI supported country priorities and plans, while following World Health Organization recommendations, and thus followed a country-driven approach. It also explicitly focused on graduating countries and contributed to their transition to self-financing once this was feasible. In addition, GAVI helped shape the global vaccine market through large-scale financing, allowing it to provide vaccines at lower prices. In addition to working with the private sector, GAVI also cooperated closely with the United Nations system, civil society and private philanthropists.

202. Mr. York presented findings from 23 evaluations of partnerships conducted by the World Bank. He noted that partnerships provided opportunities to leverage the strengths and expertise of stakeholders, and were often effective in raising the profile of specific issues. However, there were concerns about a high degree of fragmentation between various partnerships, the lack of country ownership and alignment with national priorities, and weak governance and monitoring structures. He suggested that greater discipline was needed in setting up new structures and that these should perhaps contain sunset clauses. He also called for common standards for transparency and accountability.

Discussion

203. Participants differed in their views on the potential contribution of domestic public-private partnerships, as often employed in infrastructure, to the financing of the post-2015 development agenda. Both successful and failed projects were mentioned. Some cautioned that such modalities, if unsuccessful in developed countries, were unlikely to succeed in developing countries and that private sector engagement was not likely in areas where investments would not generate a market return, for example in education.

204. With regard to global partnerships, several representatives highlighted the importance of aligning their activities with national priorities. The use of country systems was also seen as critical. There were calls for greater transparency and better data to facilitate more effective performance assessments. It was proposed that guidelines and principles of good practice for partnerships — both traditional project-based public-private partnerships and global multi-stakeholder partnerships — be an outcome of the Conference.

205. There was agreement that both bilateral and multilateral approaches had a useful role to play in development cooperation. However, some participants suggested that placing a greater emphasis on multilateral approaches, without setting up a large number of new institutions, could make development cooperation more effective.

Session 17: "Follow-up process" (11 December 2014)

206. The session was moderated by Alexander Trepelkov, Director of the Financing for development Office, Department of Economic and Social Affairs. In his introductory remarks, he presented an overview of the evolution of the financing for development follow-up process since the Monterrey and Doha Conferences. He highlighted the multi-stakeholder dialogue as a distinctive feature, but also pointed out that the process had been losing momentum. Previous reform proposals had been unsuccessful owing to a lack of political consensus. He emphasized the need for an effective follow-up process to ensure effective monitoring of the implementation of the agreements to be reached in Addis Ababa.

207. The session featured presentations by María Castro, former Minister of Finance, Guatemala; Amar Bhattacharya, Senior Fellow at the Global Economy and Development Programme, Brookings Institution; and Oscar de Rojas, Director of Global Partnerships and Professor of International and United Nations Studies, Long Island University.

208. Ms. Castro stressed that financing for development should be seen as a means of implementation of the post-2015 sustainable development agenda. A special focus of the Conference should be on national public financing. The United Nations could have a strong role in promoting international cooperation to prevent tax evasion and ensure the participation of least developed countries in this process. She emphasized the need for institutional partnerships, particularly with the new financial institutions. Strengthening the follow-up process would require consolidation of the partnership between the United Nations and the Bretton Woods institutions to ensure sufficient resources for sustainable development financing.

209. Mr. Bhattacharya said that the national level would be the centrepiece for action, not only through domestic resource mobilization, but also in directing aspirations. It would set the regulatory framework and fiscal policies, establish public-private partnerships, put an end to unproductive subsidies and ensure sustainability. Collective action at the international level would be needed to support national actions and to establish accountability frameworks. The Addis Ababa Conference would have the potential to strengthen the follow-up process if all stakeholders were committed to the financing for development process. Overall, the follow-up process should be seen as a continuous one, not dependent on a conference every few years.

210. Mr. de Rojas asserted that, despite earlier attempts, the financing for development process had not resulted in the creation of robust follow-up mechanisms. In his opinion, the best solution to the follow-up process would have been to assign the responsibility for monitoring and follow-up to a special functional commission of the Economic and Social Council. He emphasized that systemic issues would be an integral part of the financing for development process, especially the coherence of the international monetary and financial system in support of development. Given its universal membership, the United Nations would be in the best position to allow for a legitimate participatory approach. The success of the financing for development process in addressing systemic issues would lay the groundwork for a successful post-2015 development agenda.

Discussion

211. Many delegations emphasized the need to view the Addis Ababa Conference as a major contribution to the post-2015 development agenda and to ensure that the financing for development follow-up process would feed into its monitoring and accountability framework.

212. Several speakers referred to the difficulties encountered in obtaining data to monitor the implementation of agreed measures. Strengthening capacity in data collection and processing would be an important component of an effective follow-up mechanism. A global fund to support domestic capacities for data collection and processing was proposed.

213. Civil society representatives called for the implementation of a robust accountability framework that would hold Governments accountable both to other Governments and to civil society. It was pointed out that developing countries should not be overburdened and that the framework should be built on six principles: participation, human rights, equity, transparency, access to justice and law, and accountability.

214. Business sector representatives highlighted the importance of the link between national and local governments for accountability. They also stressed the role of technology for the dissemination of data on successful projects and for monitoring purposes.

V. Conclusion

215. The two co-facilitators of the preparatory process for the third International Conference on Financing for Development thanked all participants for their contributions to the deliberations. They reiterated the importance of the Conference as a major stepping stone towards a successful summit for the adoption of the post-2015 development agenda, to be held in September 2015.

216. In their closing remarks, they outlined some of the key points made during the eight days of substantive informal sessions held from October to December 2014:

(a) The Addis Ababa Conference should address both the unfinished business of the Monterrey Consensus and Doha Declaration on Financing for development, as well as new and emerging challenges;

(b) The mobilization and effective use of all financing sources in support of sustainable development would be crucial, including national and international, public, private and blended financing flows. All sources will have to complement each other. Official development assistance would remain critical and relevant, but would not be sufficient given the magnitude of the agenda;

(c) The comprehensive vision of sustainable development articulated in the outcome document of the United Nations Conference on Sustainable Development, focusing on the eradication of poverty and integration of the economic, social, and environmental dimensions of sustainable development, and the proposal for sustainable development goals, would all be taken into account in the preparations for the Addis Ababa Conference;

(d) The Addis Ababa Conference should be “Monterrey plus”. It would feature new elements, including sustainability and universality. In this regard, financing gaps in important areas for sustainable development, such as infrastructure, small and medium-sized enterprises, innovation and clean technologies, had been stressed.

217. The co-facilitators acknowledged the various concrete proposals made in many areas during the substantive informal sessions, which could contribute to a strong strategic framework for financing sustainable development, including the sustainable development goals. They stressed that the main task ahead was to reach agreement both on the updated framework and on concrete deliverables.