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## Third International Conference on Financing for Development

Addis Ababa, 13-16 July 2015

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### Summary of informal interactive hearing of the General Assembly with representatives of civil society held as part of the preparatory process for the third International Conference on Financing for Development (New York, 9 April 2015)

Note by the President of the General Assembly

#### I. Introduction

1. The present report has been prepared pursuant to General Assembly resolution 68/279, in which the President of the General Assembly was requested to prepare summaries of the informal interactive hearings with representatives of civil society and the business sector which may serve as inputs to the preparations for the third International Conference on Financing for Development.
2. The informal interactive hearing with civil society on financing for development was convened on 9 April 2015 and comprised an opening segment and four interactive panel discussions. During the opening segment, remarks were made by the Acting President of the General Assembly, speaking on behalf of the President of the General Assembly; a representative of the Asia Pacific Forum on Women, Law and Development, Tessa Khan; and the Managing Director of Business Partners Limited, Nazeem Martin.
3. The interactive panel discussions, which included panellists and moderators from civil society and respondents from Member States and civil society, focused on domestic public resource mobilization, including international tax cooperation; international public finance, including official development assistance (ODA) and innovative sources of finance; systemic issues, including global economic governance and external debt; and international trade and investment, including private finance. A summary of the key messages and proposals from the hearing is set out below.

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## II. Opening segment

4. The Acting President of the General Assembly noted the high expectations for an ambitious and successful outcome at the Conference to support the implementation of a transformative post-2015 development agenda. He added that the 17 proposed sustainable development goals were ambitious and that the resources required to achieve them were substantial. He stressed that a strengthened financing for development framework with concrete deliverables, scaled-up resources and a renewed global partnership for development would be required.

5. Ms. Khan focused her comments on the zero draft of the outcome document of the Conference and noted that, in its current form, the draft still lacked important elements on poverty eradication, equitable distribution of wealth, especially with regard to women's empowerment, and promotion of human rights. She also stressed the need for greater international tax cooperation and for strengthening the role of the United Nations in promoting discussions on sovereign debt restructuring.

6. Mr. Martin highlighted the important contribution that small and medium-sized enterprises make to sustainable development and called on Governments to provide a stable, predictable and fair environment for such enterprises to grow and thrive. Businesses, civil society and Governments should have shared values, and the interests of small and medium-sized enterprises needed to be taken into account when formulating policies and strategies.

## III. Panel presentations and interactive discussions

7. Following the opening segment, presentations were given by Sameer Fazal Dossani, of ActionAid International; Tove Maria Ryding, of the European Network on Debt and Development; Norhan Sherif Mokhtar, of the Egyptian Center for Economic and Social Rights; Kudakwashe Dube, of the International Disability and Development Consortium and the Africa Disability Alliance; Claudio Guedes Fernandes, of the Brazilian Association of NGOs; Shantal Munro-Knight, of the Caribbean Policy Development Centre; Cristina Diez Saguillo, of International Movement ATD Fourth World; Mbathio Samb, of Development Alternatives with Women for a New Era; Anne Elisabeth Schoenstein, of the Association for Women's Rights in Development; Lydinyda Nacpil, of Jubilee South; Marina Fe B. Durano, of the Asian Center at the University of the Philippines, Diliman; Eric LeCompte, of the Jubilee USA Network; Stefano Prato, of the Society for International Development; María del Carmen González, of the General Confederation of Labour of Argentina; Gyekye Tanoh, of Third World Network-Africa; and María José Romero, of the European Network on Debt and Development. Several Member State respondents made interventions after the presentations. The key messages and proposals from the presentations and the ensuing interactive discussions are summarized below.

### A. Domestic public resource mobilization, including international tax cooperation

8. Panellists emphasized that domestic public resource mobilization is a central component of financing for development. In many countries, however, it is severely

constrained as a result of tax evasion and avoidance, the existence of tax havens, corruption and illicit financial flows. Speakers called for greater taxation compliance and taxation of corporations, extractive industries and wealthy individuals. Speakers also called for companies to be taxed in the locations where their economic activities take place. International tax cooperation was needed in order to improve international tax rules and regulations.

9. Initiatives of the Group of 20 and the Organization for Economic Cooperation and Development (OECD) were recognized, such as those on the development of tax and transparency standards, on the automatic exchange of information and on base erosion and profit shifting. It was highlighted, however, that all Member States needed to participate in discussions that directly affected their national tax policies.

10. The outcome of the Conference should include a clear mandate for the establishment of a United Nations intergovernmental body on tax cooperation, with universal membership, and for the provision of concrete deliverables and commitments to combat tax evasion and avoidance. It was noted that such a body should not replace the current Committee of Experts on International Cooperation in Tax Matters, but could function as a subsidiary of that Committee.

11. There were calls for the outcome of the Conference to include a definition of illicit financial flows and a possible target for combating them. It was also recommended that Member States should agree to conduct periodic, independently verified and participatory impact assessments of the spillover effects of their tax laws, policies and agreements on the achievement of sustainable development goals in other countries.

12. Domestic resources were critical to providing essential public services, especially for the most vulnerable groups, including people with disabilities. Suggestions were made to incorporate into the zero draft additional references to persons with disabilities and to enabling their access to facilities and infrastructure.

13. Member State respondents concurred with panellists that improved domestic resource mobilization and tax cooperation should be key deliverables of the Conference. The importance of technical assistance and capacity-building in strengthening the national capacity of developing countries in tax administration, including tax collection, digitization of systems and audit capacity, among other things, was underscored.

14. Some speakers emphasized the need to respect national policy space. The effective use of public resources, the fight against corruption, strong democratic institutions and the rule of law were also highlighted as key elements for improving domestic resource mobilization.

15. Some speakers proposed that the Conference should support the definition of standard rules for information exchange and confidentiality; others, however, stressed that information should be shared at all levels and that national security should not be used as a reason to conceal information.

16. Although some respondents supported the call for a United Nations intergovernmental body on taxation, others suggested that consideration should be given to how to make the best use of the efforts and initiatives of the Group of 20 and OECD.

17. There is a need for gross domestic product to grow in a manner that is more inclusive, including by increasing the participation of women and other marginalized groups, which could contribute to the widening of the tax base and to increased resource mobilization.

## **B. International public finance, including official development assistance and innovative sources of finance**

18. Panellists underscored that ODA remained a critical source of financing, especially for the least developed countries. The need to fulfil commitments and to reverse the trend of decline in aid to least developed countries was stressed. The need to improve the quality of development assistance was highlighted, in particular the alignment of such assistance with national development priorities and the ending of conditionalities. The proposal in the zero draft for “increased joint programming based on national strategies, fully untying aid, strengthening its results orientation and the use of country systems” was welcomed.

19. It was emphasized that the use of public finance, including ODA, to leverage private finance, could increase resources but also entailed risks. Blended financing mechanisms therefore needed to be transparent, inclusive and accountable.

20. The guiding principles on extreme poverty and human rights were said to provide a good framework for forming policies on ODA and poverty eradication. Speakers emphasized the need to prioritize investments aimed at building the capacities of statistical institutions, which could ensure the availability of data disaggregated by income, gender, age, ethnicity and other relevant dimensions and improve the monitoring of the impact of ODA on sustainable development.

21. Panellists noted that ODA alone would not meet the financing needs of the new development agenda. They stressed the centrality of domestic resource mobilization and the potential contribution of innovative financing mechanisms. The need to ensure that such mechanisms strengthened national ownership and complemented, rather than replaced, ODA flows, was underscored.

22. It was also noted that climate change financing should be in addition to, and not be counted as, official development assistance. It was stressed that climate change is a major concern, in particular for small island developing States.

23. Member State respondents concurred that ODA targets should be met, including by reversing the trend of declining aid to the least developed countries. It was noted, however, that even when fulfilled, the commitments could not meet the enormous financing needs of the post-2015 development agenda. Delegates stressed the importance of the quality of ODA and called for adherence to best practices and to the principles of development effectiveness. The catalytic role of ODA was emphasized.

24. Many participants underscored that ODA processes should uphold the mutual responsibility and obligations of Governments to fulfil existing internationally agreed development agendas and goals.

25. There were calls for the ODA target of 0.7 per cent of gross national income by 2020, as proposed in the zero draft, to be met with clear and binding timetables and for ODA to target the poorest 20 per cent of the population in recipient developing countries.

26. It was noted that innovative mechanisms of financing could provide additional resources, and reference was made to the work being conducted by the Leading Group on Innovative Financing for Development, the implementation of multi-jurisdictional taxes on financial transactions, multi-stakeholder partnerships and the promotion of cooperatives and other social and solidarity economy organizations.

### **C. Systemic issues, including global economic governance and external debt**

27. Panellists stressed that systemic issues, such as the need to achieve greater coherence in the international financial, monetary and trading systems in support of sustainable development, should remain an important part of the outcome document of the Conference.

28. It was noted that international financial regulatory reform remained unfinished. More progress was needed on regulating the over-the-counter derivatives market and the shadow banking sector and on avoiding a “too big to fail” situation, in which certain corporations, particularly financial institutions, are so large and so interconnected that their failure would be disastrous to the greater economic system.

29. There were calls for the United Nations to assume a more prominent role in the promotion of a human-rights-based international financial reform agenda that respects the three dimensions of sustainable development and to devise new regulations and policies that make developing countries less vulnerable to macroeconomic instability. More attention should be given to capacity-building to improve capital flow management in developing countries.

30. Many speakers underscored the need for change in global economic governance, in particular for the fair and equitable representation of developing countries in international financial institutions. Some panellists noted that, as the zero draft promoted the contribution of the Bretton Woods institutions to global financial stability, it should also recognize the role that the policies of those institutions had played in deepening inequalities.

31. It was highlighted that the annual special high-level meetings of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development needed to be strengthened and oriented to outcomes that promoted greater coherence between finance and development issues. There was a proposal for the establishment of a commission on financing for development in order to provide a stronger platform for such discussions.

32. There was a call for the outcome document to endorse the United Nations Conference on Trade and Development principles on responsible sovereign lending and borrowing, and to include reference to debt auditing by lenders and borrowers.

33. Some speakers underscored the need to address the debt situation of least developed countries, including through full debt cancellation, and that those countries undergoing crises or heavily affected by climate change should get preferential support. Speakers recommended that the outcome document should include a call for commitments to the Catastrophe Containment and Relief Trust of

the International Monetary Fund, for the provision of grants for debt relief to the poorest and most vulnerable countries that are affected by catastrophic natural or public health disasters.

34. It was stressed that achieving the full realization of human rights, including women's rights, and achieving gender equality and women's empowerment are central to any sustainable development agenda. Concern was expressed at the lack of reference in the zero draft to resources dedicated to the advancement of women's rights. A suggestion was made to mainstream gender perspectives in financial, monetary and development policies.

35. A view held that the recent Ebola outbreak in West Africa reflected, in part, a systemic failure in multilateral lending that was not adequately focused on building effective public health prevention and primary care services. The importance was stressed of ensuring that financing for equitable and sustainable development was people-centred.

#### **D. International trade and investment, including private finance**

36. Speakers called for a comprehensive review of trade agreements and investment treaties to identify areas in which such agreements and treaties may limit the ability of developing countries to regulate and ensure inclusive capital flows, improve livelihoods, create opportunities for decent jobs, enforce fair taxation and deliver essential public services, among other things.

37. Concerns were expressed at the delays in concluding the Doha round of trade negotiations. The importance of continuing to work for a solution in the World Trade Organization was stressed, as was the need for an international trade agreement that complemented existing arrangements. Speakers welcomed the inclusion in the zero draft of the need for safeguards in trade and investment regimes and suggested that the World Trade Organization could play a role in ensuring the mainstreaming of such safeguards in trade agreements. Calls were made for capacity-building mechanisms to support the better and most favourable integration of developing countries in international trade systems and global value chains.

38. Panellists emphasized the need for a balanced approach to international private finance in the outcome document. They noted that increased emphasis on the role of the business sector should be accompanied by a strengthened regulatory role of the public sector.

39. It was noted that the use of public money to leverage private finance, including in blended finance, public-private partnerships and ODA, could raise additional resources but entailed risks. More careful consideration should be given to the above-mentioned financing mechanisms in the outcome document in order to avoid the associated risks and the transfer of government responsibility to the business sector in respect of providing social services. The need to ensure that such mechanisms are transparent, inclusive and accountable was stressed.

40. Specific proposals were made for the outcome document to differentiate between the national business sector and multinational corporations rather than promote the integration of national and regional economies, and to better qualify its calls for infrastructure development, with a view to avoiding unsustainable projects,

such as those for structures connecting extractive areas to ports. The promotion of global value chains without adequate reflection of the need to promote value addition and industrialization, and the lack of reference to improving commodity regimes, were issues of concern.

41. There were calls for international trade and investment treaties not to limit government policy space to expand the tax base in a progressive way. Emphasis was given to the need to reduce tax exemptions that impair the ability of Governments to collect taxes from multinational corporations.

42. Multinational enterprises should also be responsible for the respect of human rights, including women's rights, international labour standards and environmental integrity throughout their supply chains. Voluntary commitments are insufficient to ensure transformative change towards sustainable development. Legally binding instruments should be developed to hold multinational enterprises accountable for shortcomings along their supply chains. It was proposed that the Office of the United Nations High Commissioner for Human Rights could monitor the implementation of the Guiding Principles on Business and Human Rights.

43. Speakers welcomed the proposal in the zero draft for mandatory reporting on integrated financial and sustainable development. Based on that proposal, speakers called for full and transparent economic, environmental, social and governance reporting by 2020 for all large listed companies.

44. Member State respondents underlined the importance of trade and investment for sustainable development. The need to ensure that the private sector, in particular multinational corporations, respected human rights and abided by internationally agreed labour standards was underlined. Some speakers suggested that references to international human rights agreements should be included in the zero draft, even as footnotes, so that efforts in financing were connected to progress achieved in other areas.

45. Although the important role that multi-stakeholder partnerships could play in financing was recognized, it was noted that such partnerships should not be perceived as the "great solution" for the implementation of the new sustainable development agenda, and that the roles of the public and private sectors were distinct, albeit complementary. Some speakers stressed the need for predictability, respect for the rule of law and commitments to environmental protection for sustainability.