Financing for Development forum

Financing for Sustainable Development

Financing for Development Forum

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United Nations | Department of Economic and Social Affairs

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INTRODUCTION

The eighth Economic and Social Council forum on financing for development (FfD) follow-up was held from 17 to 20 April 2023 and included a special high-level meeting with the International Monetary Fund (IMF), World Bank, World Trade Organization (WTO) and United Nations Conference on Trade and Development (UNCTAD). The 2023 edition was the first Forum held completely in person since 2019. The Forum featured high level political engagement, including the participation of four Heads of State and Government and 27 Ministers and Vice-Ministers.

The outcome document of the 2023 FfD Forum, adopted by consensus, represents an important step forward to address the multiple intertwined crises affecting developing countries. It advances issues that require political momentum at the highest level and will feed into the overall follow up and review of the implementation of the 2030 Agenda for Sustainable Development at the High-level Political Forum, convened under the auspices of ECOSOC in July 2023, as well as the SDG Summit and High-level Dialogue on Financing for Development, to be convened during the 78th Session of the United Nations General Assembly in September 2023.

KEY MESSAGES

Development gains were reversed globally as a result of a series of crises, including the COVID-19 pandemic, the war in Ukraine, high inflation, and the climate emergency. The macroeconomic environment remained very challenging in most developing countries, with high levels of public debt, high inflationary pressure, interest rate increases, and the socioeconomic ramifications of the climate crisis. Countries continued to face uneven access to affordable financing for development. Without swift action, financing divides would become development divides. The Forum was an opportunity to identify solutions to meet current financing challenges and inform financing decisions in the upcoming series of high-level events to rescue the SDGs

The international financial architecture was falling short of efficiently addressing challenges faced by developing countries such as debt, financing gaps, and climate change. Unlocking additional financial resources and establishing long-lasting and affordable financing mechanisms was sorely needed. To achieve these objectives, international financial institutions must be reformed to better reflect economic realities. The growing momentum and sense of urgency for comprehensive MDB reforms and their stronger alignment with SDGs and climate action should not be missed, as consensus grows on key priorities. The Secretary-General's proposal for an SDG stimulus would help bridge the SDG financing gap and offset restrictions on developing countries' fiscal space.

While official development assistance had risen to an all-time high in 2022, it was underpinned by increased spending on processing and hosting refugees and aid to Ukraine. Increased official development assistance, in line with longstanding commitments, should be new, additional and in support of countries in greatest need. A greater proportion of grant finance should be included within concessional resources, as some are pushed increasingly to expensive loans from the capital markets. The multi-dimensional vulnerabilities of developing countries and marginalized groups, which are linked to historical and systemic factors that tend to be exacerbated in times of crisis, should be better accounted for in the allocation of concessional resources.

A comprehensive policy agenda on tackling debt vulnerability was needed. Many low- and middle-income countries were faced with a choice between their development aspirations and fiscal stability. Debt reduction, debt restructuring, debt stock management, and debt transparency should be an integral part of the solution. Institutions must also remain focused on addressing debt vulnerabilities by strengthening existing initiatives, such as the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative.

COVID-19 had had a strong negative impact on foreign direct investment flows in many developing countries and the recovery had been sluggish. At the same time, there were new and traditional actors including institutional investors, pension funds, insurance companies and sovereign wealth funds that were becoming more active in sustainable finance. While multilateral development banks had expanded their efforts to leverage private investors, more work was needed to reach the necessary scale, for example through the launch of innovative financial instruments with fair and balanced risk-sharing mechanisms. Moreover, development banks should further strengthen their work with governments on upstream project preparation to create more investment opportunities. Further action is also needed to address short-termism, lack of alignment of private investment with the SDGs, as well as the obstacles faced by countries in special situations with the mobilization of private sector financing.

Many developing countries were currently locked in low productivity and value addition activities within global value chains. Countries faced a window of opportunity to industrialize in a way that is environmentally sustainable and socially beneficial, while generating economic returns. If urgently prioritized, such cohesive industrial policies can help countries attain the SDGs. However, financing a sustainable industrial transformation is complex. An enabling environment is essential, and public finance plays an important catalytic role in incentivizing private investment. The international community also has a pivotal role to play by supporting the design and implementation of industrial policies, as well as knowledge sharing and cooperation on policy matters.

Climate finance commitments were currently too skewed toward mitigation, and loans and official development assistance were playing a limited catalytic role. Although adaptation finance was growing, it was not keeping pace with needs. Adaptation plans were continuing to grow at the country-level, but many countries lacked the needed fiscal space to adequately finance these efforts. Structural and systemic transformations were needed to ensure that climate finance is both accessible and concessional for those most vulnerable to climate change. MDBs must ensure climate finance is timely, accessible, innovative, catalytic, and does not exacerbate debt burdens in debt distressed countries.

As countries continued to recover from the harsh economic and social impacts of the COVID-19 pandemic and increased food and energy prices, it was imperative to strengthen domestic resource mobilization and build an inclusive and effective international tax cooperation to drive sustainable development financing. International tax cooperation must be inclusive and effective, considering the needs and capacities of developing countries. A multilateral framework or instrument and an intergovernmental body at the United Nations could help realize this. The response to illicit financial flows requires multiple solutions and a whole-of-government approach that encompasses the coordination between tax authorities, law enforcement agencies and judicial authorities at the domestic level, as well as partnerships with and between international organizations at the international level.

There was structural underinvestment in food systems, particularly in small scale farming. Investment tended to favor large scale commercial plantations at the expense of small-scale producers. Continued multilateral coordination on global trade is necessary to correct many of the failures in the global food system, including by balancing countries' surpluses or deficits in food production. More must be done to ensure trade and investment in food commodities and key agricultural inputs better benefit domestic and small-scale farmers, do not perpetuate commodity dependency, or limit access to essential food and agricultural inputs.

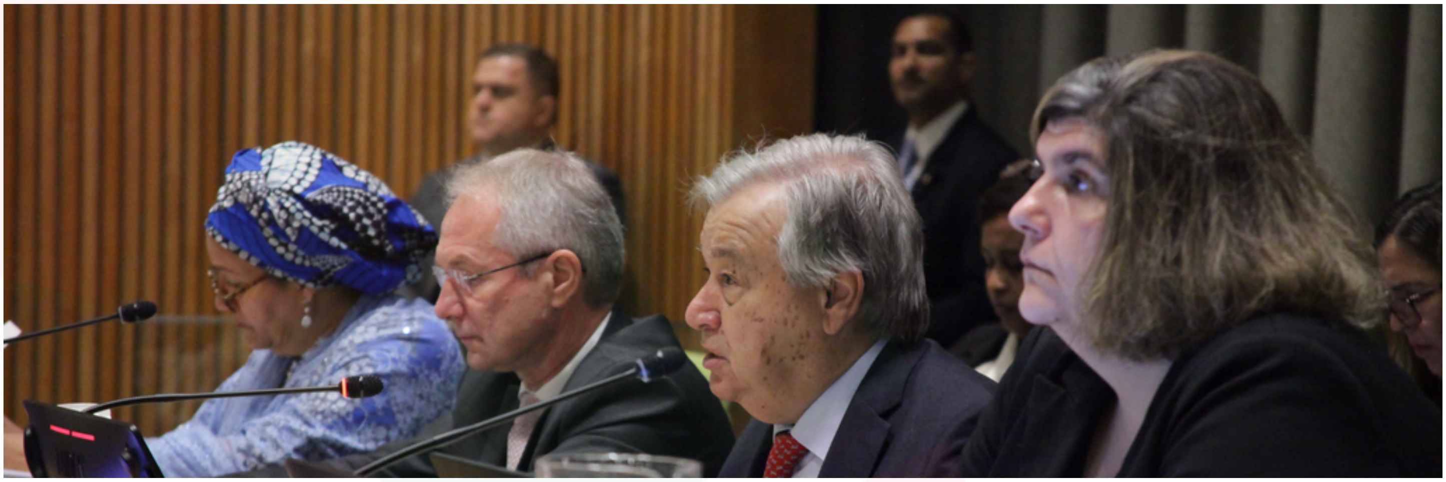
In the current context of extraordinary financing needs and economic circumstances, there had been growing demand and support for implementing Integrated National Financing Frameworks (INFFs). As country-led processes with national sovereignty and national development plans at their center, country experiences vary greatly and reflect countries' unique priorities, capacities, vulnerabilities, and strengths. Despite their importance, INFFs cannot be the lone solution to financing issues without recognizing the structural and systemic constraints.

SUMMARY

The summary reflects the discussions on financing the 2030 Agenda for Sustainable Development and implementing the Addis Ababa Action Agenda, which focused on ten priority areas: coping with cascading crises and investing in sustainable development, the international financial architecture, development cooperation, debt sustainability, private investment, sustainable industrial transformations, climate finance, international tax cooperation and tackling illicit financial flows, food security and commodity dependence, and integrated national financing frameworks.

OPENING SESSION

The President of the Economic and Social Council stated that the current confluence of crises had elevated the urgency of addressing financing for development issues. Development gains had reversed globally, and countries continued to face uneven access to affordable financing for development. Without swift action, financing divides would become development divides. The international financial architecture must be reformed in a way that places the needs of developing countries at its core. The Forum was an opportunity to identify solutions to meet current financing challenges, and its outcomes and recommendations would help inform financing discussions at upcoming high-level events intended to help rescue the SDGs.



In his remarks, the Secretary-General underscored that the global financial architecture was created for a world that no longer exists and is not equipped to address the challenges facing developing countries today. He presented his proposal for an SDG Stimulus to ensure we do not further delay making progress on the 2030 Agenda for Sustainable Development. The proposal has three main areas for action: 1) tackle the high cost of debt and rising risks of debt distress; 2) massively scale up affordable long-term financing for development; and 3) expand contingency funding for countries in need. In this regard, he called for multilateral development banks to transform their business models to accept a new approach to risk and for donors to meet their official development assistance commitments. Additionally, he highlighted the need to identify ways to incentivize private creditors to participate alongside official creditors in debt restructurings, implement innovative ideas such as debt-for-SDG swaps and disaster clauses, and restructure Special Drawing Rights (SDRs) to better serve the needs of developing countries through revising the quota system and providing contingency mechanisms for future crises.

The President of the General Assembly echoed the impact of the multidimensional crises on development outcomes and urged solidarity as a global community to tackle these challenges. He highlighted three key concerns with the current international development system: 1) inequities in the current financial architecture, 2) the misalignment of fund allocation with development goals at the MDBs, and 3) inefficiency in project financing and impact assessments due to lack of learning from past mistakes. He called for the international community to enhance and accelerate systemic reform in the international financial architecture. Specifically, he encouraged the MDBs and public development banks (PDBs) to reform their models to minimize inefficiencies, expand lending capacity, and put in place financial buffers for times of need.

In her keynote address, the Secretary of the Treasury of the United States of America underscored the need for bold action to address the global challenges threatening progress towards the SDGs. She highlighted the importance of reforming the multilateral development banks, so they are better equipped to address the global challenges of the future at speed and scale. More work remained to be done on reforms at the World Bank and other multilateral development banks and major international gatherings over the coming months should be leveraged to drive progress on these processes.

SECURING AN INCLUSIVE AND SUSTAINABLE RECOVERY

SPECIAL HIGH-LEVEL MEETING WITH BRETTON WOODS INSTITUTIONS, WTO AND UNCTAD

Building on a consultation between the ECOSOC Bureau, the Board of Directors of the World Bank Groups and the Executive Board of the IMF in February in Washington D.C., the special high-level meeting provided an opportunity for the Executive Directors of the Bretton Woods Institutions to discuss issues of shared interest with the broader UN membership. Representatives of the Development Committee, the IMFC and the Trade and Development Board of UNCTAD also presented the outcomes of these bodies.

SUPPORTING DEVELOPING COUNTRIES IN DEALING WITH THE COMPOUNDING CRISES AND IN FINANCING THE SDGS

The existing international financial architecture and mechanisms were not well-suited to address the multiple concurrent crises unfolding nor the heterogeneity of countries seeking support. Financial instruments lacked both the scale and timing to adequately meet the needs of borrowing countries, making the timing and scope of international financial architecture reform critical. The international financial institutions must be reformed to better address the debt crisis and support countries to finance the SDGs. The financial system should be predictable, fair, and orderly. It should focus on outcomes rather than just outputs. However, longer-term reforms of existing institutions should not supplant the need for urgent action that countries require now. Better coordination and collaboration between the United Nations and Bretton Woods Institutions is necessary to ensure that appropriate and complementary solutions can be identified to solve the current economic crisis.

The World Bank Group had taken steps in reviewing its vision, mission, operating model, and financial capacity. While poverty alleviation would remain its core mandate, it seeks to have a stronger focus on resilience, sustainability, and inclusiveness. Likewise, the IMF's SDR allocation approach was highlighted as a mechanism that should be reformed to better meet the needs of countries that experience multidimensional vulnerabilities. Additionally, the IMF surcharge policy was flagged as regressive, unequal, and disproportionately harmful to countries with lower quotas.

Countries were operating in a constrained fiscal space for financing the SDGs due to a variety of factors, including but not limited to official development assistance declines, limited private sector investment, market tightening, increased cost of borrowing, and debt distress. The availability of new and additional financing for development is limited. To get the SDGs back on track, there should be a significant capital increase. The Secretary-General's SDG Stimulus proposal would help achieve this, although concerns remain as to whether the international community can meet the capital increases necessary to deliver on the call.

EXTERNAL DEBT

As debt distress and risks had risen across the world, middle-income countries and IDA recipients had seen their external debt soar. Addressing the debt crisis was urgent. Many low- and middle-income countries were faced with a choice between their development aspirations and fiscal stability. Debtor countries require more tools to regain negotiating power with creditors, including from the private sector. An efficient debt restructuring process would ensure growth and more equitable outcomes. MDBs can play a role in helping with debt restructuring and brokering solutions to handle debt dynamics more efficiently and effectively. Good governance and transparency of public finances are key conditions for virtuous debt management. Capacity building would allow countries to better manage their debt and obtain cooperation if needed. In turn, this assistance calls for improving data for transparency and better reporting. Investing in such capacity building would help mitigate risks of future debt mismanagement.

Despite new mechanisms put in place to help address the current crisis, such as the IMF Global Sovereign Debt Roundtable and the G20 Common Framework for Debt Treatments, there was debate about their likelihood of delivering results in a timely and fair manner. These mechanisms could either be enhanced so they can achieve their goals or abandoned since they are not necessarily considered inclusive, democratic, or transparent. Global South voices were not prioritized in these fora. Furthermore, it was stressed that so far middle-income countries have been excluded from these arrangements despite their concerning debt situations in some cases. More should be done to better support middle-income countries.

There was an imbalance of information among stakeholders, which was impeding good faith discussions. To address this issue, more information and data sharing is essential. There is a need to improve the statistical quality of debt data and openly share macroeconomic projections and debt sustainability analyses.

COPING WITH CASCADING CRISES AND INVESTING IN SUSTAINABLE DEVELOPMENT:

HOW TO MAKE THE RIGHT POLICY CHOICES?

The global economic landscape was marked by a series of crises that included the COVID-19 pandemic, the war in Ukraine, high inflation, and the climate emergency. The poly-crisis had stressed the need to adjust monetary and fiscal policies to build resilience while continuing to finance sustainable development. The macroeconomic environment remained very challenging in most developing countries, with high levels of public debt and interest rate increases to cope with inflationary pressures, generating exchange rates appreciation, further increasing debt burdens.

These challenges had significantly reduced governments' fiscal space while increasing the need for SDG-related investments. Despite being halfway through the implementation of the 2030 Agenda and almost eight years past the adoption of the Addis Ababa Action Agenda, progress on the SDGs remained insufficient. Developing countries, particularly in Africa, had been severely impacted, with 18 million additional people estimated to have been pushed into poverty in 2022.

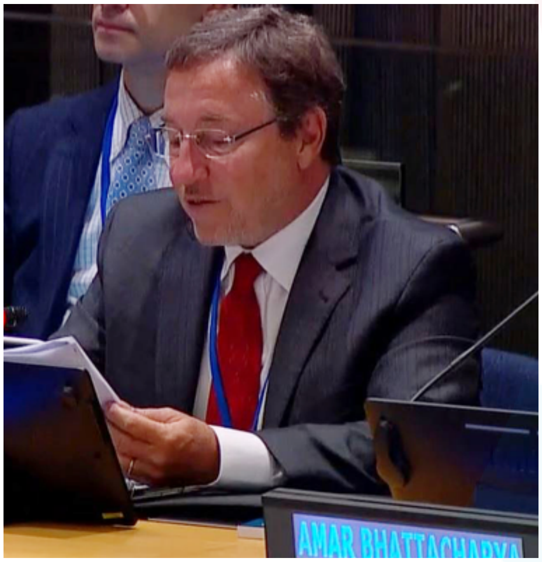
The international community should urgently address the role of multilateral development banks, international tax cooperation, incorporate climate considerations in eligibility criteria, and enact reforms of intellectual property right regimes to ease access to technology and boost innovation. Reliable and detailed statistical data is crucial for assessing the impact of crises and developing appropriate policy responses to build resilience and accelerate economic growth. Sound macroeconomic policies, expanding fiscal space, and the sharing of national perspectives, and lessons learnt to invest in green transitions and mobilize additional resources, are key for development prospects in developing countries.

Reforming the international financial architecture and increased lending by MDBs would be essential for building resilience and reducing systemic risk, particularly for vulnerable countries. Initiatives such as the SDG Stimulus, the upcoming Summit for a New Global Financial Pact in Paris, and the 16th quota review of the IMF provide opportunities to rethink SDR allocation, and direct funds to developing countries most in need.

The United Nations has a significant role to play in strengthening international development cooperation and multilateral cooperation. This is particularly the case in addressing debt restructuring mechanisms, contingency finance issuance, and the establishment of a global social and economic safety net to help build resilient societies. Furthermore, the United Nations could provide additional technical assistance to support countries frame efficient, sustainable, and inclusive macroeconomic policy responses to address short-term crises and long-term structural challenges.

REMAKING THE INTERNATIONAL FINANCIAL ARCHITECTURE TO ACHIEVE THE SDGS

The global economic outlook was gloomy in the face of the COVID-19 pandemic, slowing global economic growth and the spillovers from climate change, which threatened to adversely affect economic prospects in the coming years. Economies could also be subject to risks and vulnerabilities to future crises, thus requiring concrete actions in various fronts. The current international financial architecture was falling short of efficiently addressing challenges faced by developing countries such as debt, financing gaps, and climate change. Discussions around the international financial architecture should prioritize vulnerabilities, the SDGs, and the climate crisis, as well as developing a synergistic policy framework to pursue these goals simultaneously.

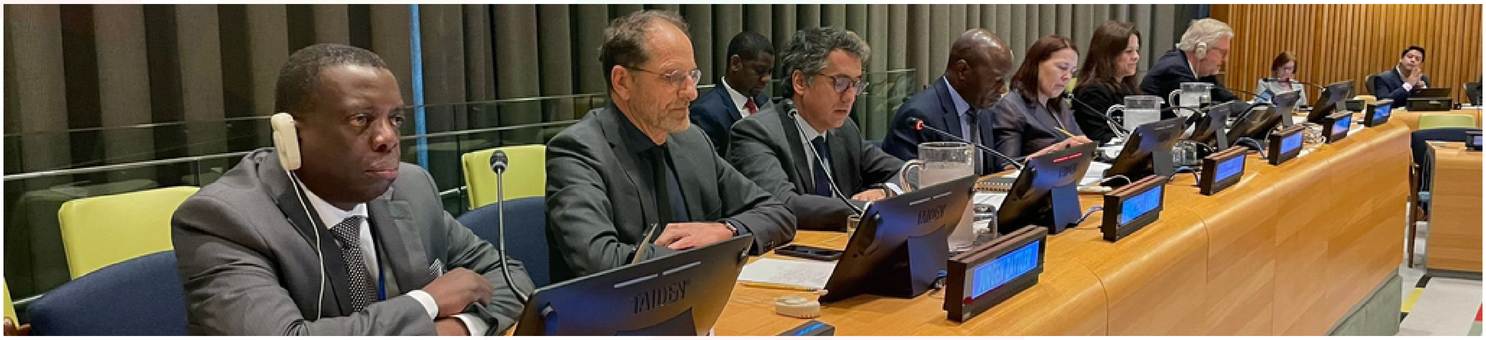


Unlocking additional financial resources and establishing long-lasting and affordable financing mechanisms was sorely needed. To achieve these objectives, international financial institutions must be reformed to better reflect today's economic realities. In addition, reforms to the international financial architecture should put human right principles and global climate action at the core of development finance. Strengthening balance sheets, examining loan to equity ratios and guarantee systems, scaling up funds to crowd in the private sector, and redeploying Special Drawing Rights (SDRs) through Multilateral Development Banks (MDBs) to help finance SDG-related projects are all critical to boost financing for the SDGs.

The Secretary-General's proposal for an SDG Stimulus could contribute to transforming the international financial architecture to bridge the SDG financing gap and offset developing countries' fiscal space restrictions. Immediate measures should be taken to increase the provision of grants and concessional finance, re-channel SDRs through MDBs, revise development banks' capital adequacy ratios, and strengthen the public development banking system.

DEVELOPMENT COOPERATION:

LONG-TERM RESILIENCE AND THE ROLE OF MULTILATERAL DEVELOPMENT BANKS



While ODA rose to an all-time high in 2022, it was underpinned by increased spending on processing and hosting refugees and aid to Ukraine. Excluding in-donor refugee costs, ODA increases were less pronounced; bilateral ODA to least developed countries (LDCs) and Africa had actually declined. OECD DAC members were still far from meeting their commitments to provide 0.7% GNI/ODA, reaching just 0.36% of GNI/ODA collectively in 2022.

Increased ODA should be new, additional and in support of countries in greatest need. A greater proportion of grant finance within concessional resources is needed, as some developing countries are increasingly reliant on more onerous loans from capital markets. The multi-dimensional vulnerabilities of developing countries and marginalized groups, which are linked to historical and systemic factors that tend to be exacerbated in times of crisis, should be better accounted for in the allocation of concessional resources. In this regard, the work of the High-level Panel of the Multidimensional Vulnerability Index should reflect on the diversity of developing country vulnerabilities.

The growing momentum and sense of urgency for comprehensive MDB reforms and their stronger alignment with SDGs and climate action should not be missed, as consensus grows on key priorities: optimizing balance sheets; better lending terms for countries with limited fiscal space and debt pressures; stronger dialogue with partners, including between the IFIs and multilateral system and the United Nations; greater technical assistance in tandem with financial support; minimizing duplication of efforts or overlaps; reinforcing focus on social sectors in the most vulnerable countries; and providing greater space for stakeholder voices, including civil society.

Many sources of capital remained untapped, including private sector investments and blended finance arrangements. Some traditional ways of mobilizing private finance were not fit for purpose in light of the current challenges and new approaches to risk assessment, investment and subsidy provision that boosts sustainable development should be developed and operationalized.

Development cooperation discussions should be integrated more deeply into United Nations discussions, given that the organization is the only global forum in which every country has a voice and non-Member State stakeholders are included. The United Nations and its inclusive forums are also natural vehicles for discussing financing for development and new, emerging proposals such as for an SDG Stimulus.. At the country level, the United Nations' efforts to convene development partners, deliver as one, and reduce fragmentation and transaction costs for developing countries should be further encouraged.

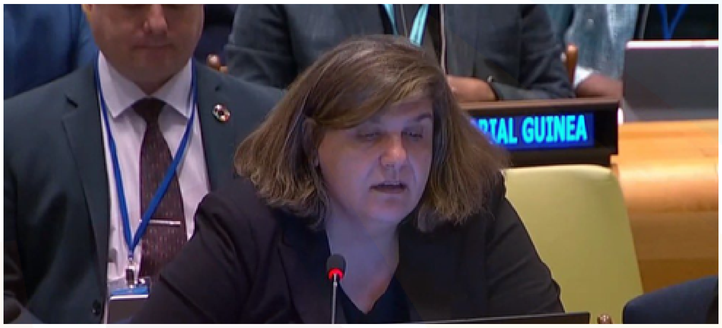
FOSTERING DEBT SUSTAINABILITY

BY ADDRESSING GAPS IN THE SOVEREIGN DEBT ARCHITECTURE

A comprehensive policy agenda on tackling debt vulnerability was needed, especially with respect to least developed countries and other vulnerable countries, and increasingly middle-income countries as well. Debt reduction, debt restructuring, debt stock management, and debt transparency should be integral parts of the solution.

At the same time, institutions must also remain focused on addressing debt vulnerabilities by strengthening existing initiatives, such as the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative. It is essential that middle-income countries be incorporated within the scope of the Common Framework and the participation of the private sector in its implementation encouraged.

Debt challenges were amplified in Small Island Developing States due to their vulnerability to climate-related shocks. Those countries required urgent additional support, including eligibility for concessional finance, debt restructuring, and other debt relief initiatives. Innovative debt instruments and financing mechanisms such as debt for climate adaptation swaps and temporary liquidity could offer such relief.



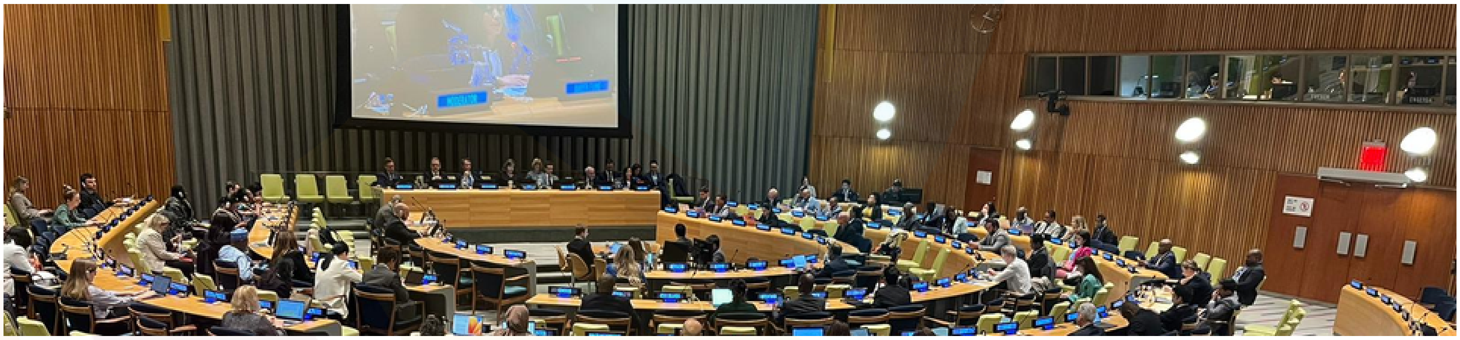
Reforms of the credit rating industry and further regulation of the asset management industry could help broaden access to affordable financing on international capital markets. Furthermore, international financial institutions must ensure greater availability of and access to finance, without imposing conditionalities on borrowing countries.

PRIVATE INVESTMENT FOR DEVELOPING COUNTRIES

Private investment can make a critical contribution to the achievement of the SDGs in developing countries, including by stimulating economic growth and job creation. The domestic private sector has a key role in this regard. A range of policy measures were identified that can support private sector development and investment, including guarantee schemes for small and medium enterprises (SMEs), revolving funds to support SMEs, incentives through fiscal policy and additional efforts to strengthen the enabling environment. The importance of a strong dialogue between governments and the private sector to build trust and confidence was also highlighted.

COVID-19 had had a strong negative impact on foreign direct investment flows in many developing countries and the recovery had been sluggish. At the same time, there were new and traditional actors including institutional investors, pension funds, insurance companies and sovereign wealth funds that were becoming more active in sustainable finance. Initiatives like the Secretary General's Global Investors for Sustainable Development Alliance could make an important contribution in developing solutions to scale up private investment.

While multilateral development banks had expanded their efforts to attract private investors, more work was needed to reach the necessary scale, for example through the launch of innovative financial instruments with fair and balanced risk-sharing mechanisms. High transaction costs have been a major obstacle for investors to embrace such mechanisms. Transactional templates building on successful cases can help reduce the transaction costs and expand countries' access to a broader range of investors, which may otherwise be unwilling to invest. Moreover, development banks should further strengthen their work with governments on upstream project preparation to create more investment opportunities.

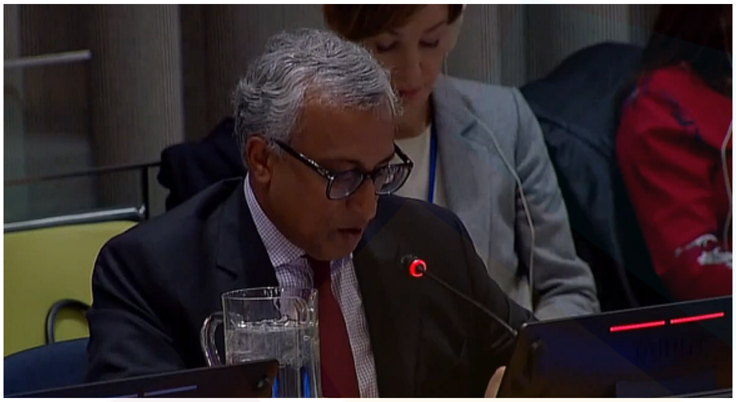


Challenges with achieving adequate risk-return profiles were highlighted as a key obstacle for mobilizing private investment in sustainable development. Further action will also be needed to address short-termism, lack of alignment of private investment with the SDGs, as well as the obstacles faced by countries in special situations in mobilizing private sector resources.

FINANCING SUSTAINABLE INDUSTRIAL TRANSFORMATIONS

Countries faced a window of opportunity to industrialize in a way that is environmentally sustainable and socially beneficial, while generating economic returns. If urgently prioritized, such cohesive industrial policies can help countries attain the SDGs. However, financing a sustainable industrial transformation is complex. An enabling environment is essential, and public finance plays an important catalytic role in incentivizing private investment. Tools like integrated national financing frameworks can help channel both public and private investment to industrial activities with the most potential for social, environmental, and economic returns. To harness the potential of sustainable transformation, several necessary areas for reform were flagged, including trade policies, the multilateral development bank architecture, global tax cooperation and sovereign debt restructuring.

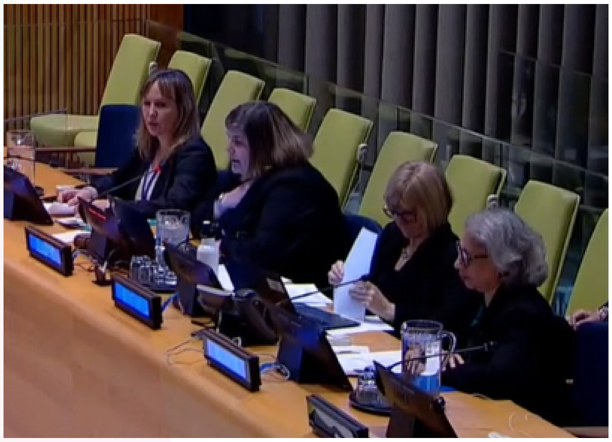
Systemic reforms to existing trade rules were highlighted as critical to enable developing countries to advance their economic agendas. Many developing countries were currently trapped in low productivity sections of global value chains. This holds back local private sector growth and, in some cases, has led to premature deindustrialization, low wage growth, exacerbated commodity dependence, and environmental degradation. Constraints on sharing intellectual property rights can inhibit technological development. Regional trade and value chains are important and should be prioritized.



Multilateral development banks can help developing countries access the financing they need to be more competitive. However, developing countries need access to a greater volume of higher quality resources. Development finance institutions need to be aware of incentives that are currently pushing industrial sectors towards “brown” and more carbon emitting activities.

CLIMATE FINANCING FOR ADAPTATION AND THE SDGS

New and additional resources were required to adequately address the growing costs of climate change. The quality of such resources must be strengthened. Climate finance commitments were currently too skewed toward mitigation and loans and ODA played a limited catalytic role. Although adaptation finance was growing, it was not keeping pace with needs. Adaptation plans were continuing to grow at the country-level, but many countries lacked the needed fiscal space to adequately finance these efforts.



Necessary climate finance architecture reforms are closely linked to reforms of the international financial system. Structural and systemic transformations are needed to ensure that climate finance is both accessible and concessional for those most vulnerable to climate change. Climate finance should be an important part of discussions on the reform of the international financial architecture.

MDBs should integrate development and climate objectives across their activities and be more responsive to the urgency of the climate crisis. MDBs must ensure climate finance is timely, accessible, innovative, catalytic, and does not exacerbate debt burdens in debt distressed countries. The development of a multidimensional vulnerability index, and its use in allocation decision making, is an important step toward making finance more accessible to climate-vulnerable countries. MDBs should improve their role in mobilizing adaptation financing, risk sharing, public-private partnerships, capacity development, innovative partnerships, and promoting transparency and accountability in the provision of climate finance.

Public development banks (PDBs) and the private sector were both highlighted as key actors in the climate finance space. PDB shareholders should strengthen access to concessional resources. PDBs have an important role to play in creating incentives to crowd in private sector finance. The business case for climate adaptation must be strengthened and governments should reduce investment risks. There is an opportunity for new financial projects and services to better support climate adaptation. Private actors must prioritize transparency and accountability to avoid greenwashing. The United Nations could develop a clear definition of what constitutes "climate finance" due to a lack of transparency in measuring climate finance flows, which complicates measuring progress towards meeting financing needs.

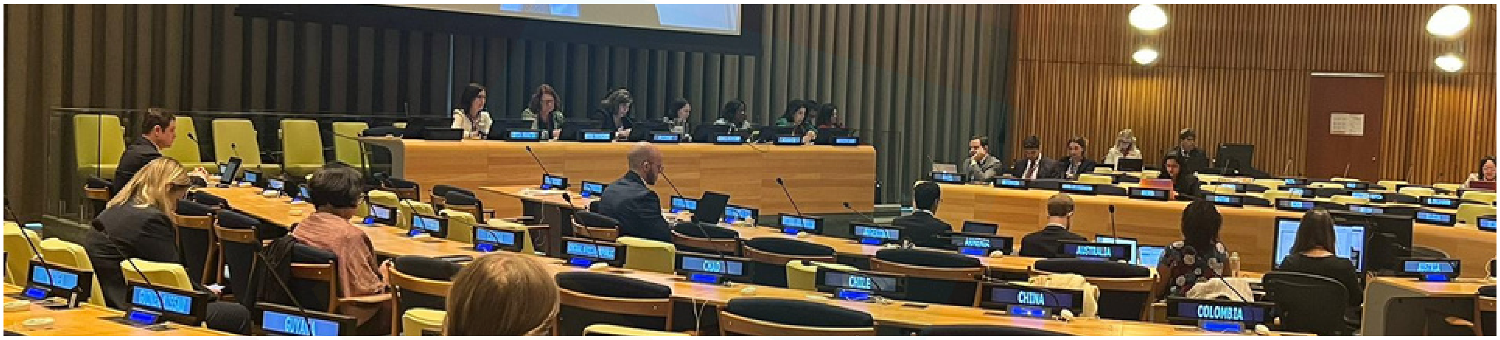
Actions must be taken to deliver on the promise of existing platforms. The Loss and Damage Fund needs to be operationalized in a timely manner, the Green Climate Fund should be replenished, and the IMF Resilience and Sustainability Facility should be fully funded and operationalized. In addition, more must be done to ensure climate finance resources reach local communities, particularly given the role that local communities play in building climate resilience.

ADVANCING INTERNATIONAL TAX COOPERATION AND TACKLING ILLICIT FINANCIAL FLOWS

TO SAFEGUARD AND MOBILIZE DOMESTIC RESOURCES

As countries continued to recover from the harsh economic and social impacts of the COVID-19 pandemic and the increased food and energy prices, it was imperative to strengthen domestic resource mobilization and build an inclusive and effective international tax cooperation system to drive sustainable development financing.

International tax cooperation must be inclusive and effective, considering the needs and capacities of developing countries. A multilateral framework or instrument and an intergovernmental body at the United Nations could help realize this. The decision by Member States to initiate intergovernmental discussions on strengthening international tax cooperation with the United Nations at its center, in coordination with other stakeholders, such as the business sector, civil society, and other international organizations is an important step in this regard, although some delegations continue to have reservations regarding this development.



Developing countries were particularly vulnerable to illicit financial flows (IFFs). Tackling IFFs requires information transparency, availability and accessibility, as well as digitalization, political will, capacity development and promoting domestic and international cooperation. Additional solutions to help combat IFFs include registries of beneficial ownership, an open global repository on IFFs and public revenue loss, and a multilaterally agreed binding mechanism, among others. A whole-of-government approach is needed, which encompasses the coordination between tax authorities, law enforcement agencies and judicial authorities at the domestic level, as well as partnerships with and between international organizations at the international level.

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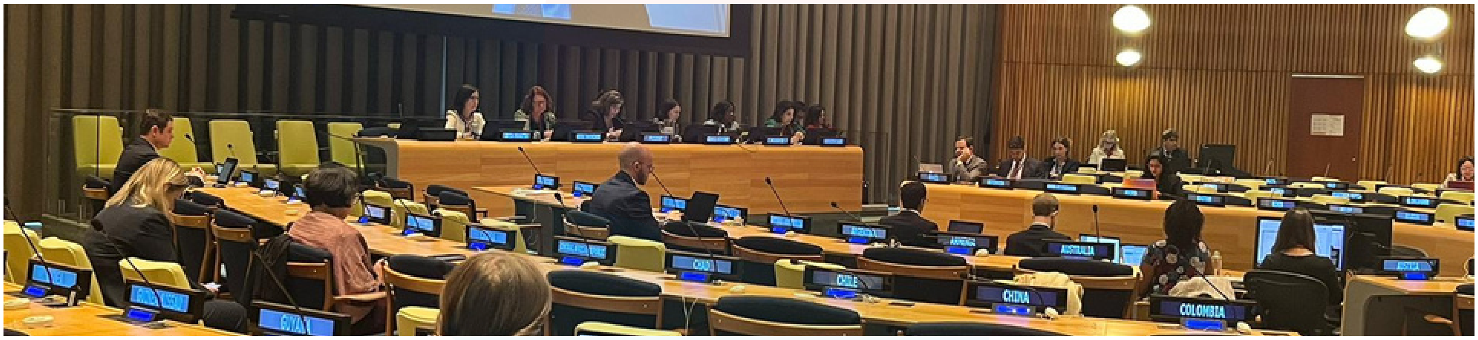

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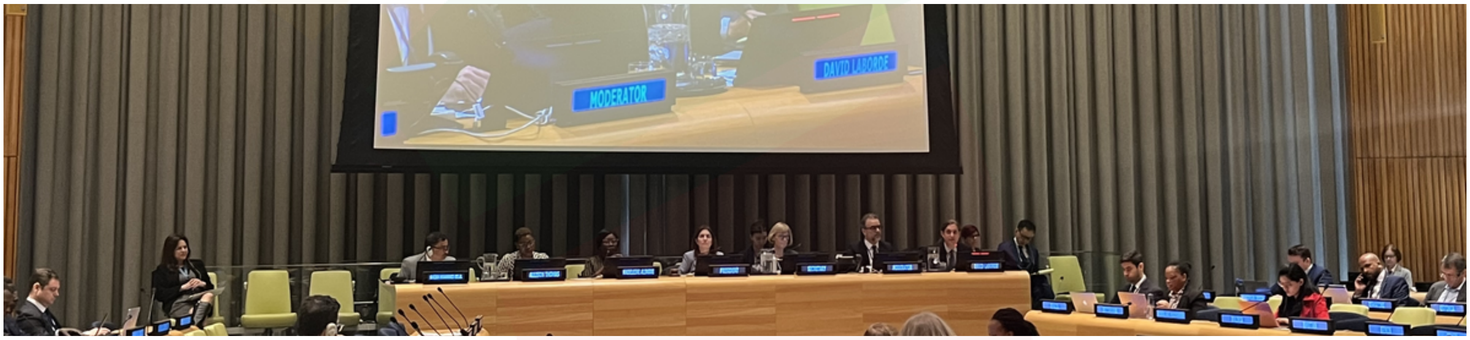
SAFEGUARDING FOOD SECURITY THROUGH MULTILATERALISM, TRADE, AND NATIONAL ACTIONS



The ongoing geopolitical crisis and rising cost of living, which were impacting food security globally, would have severe consequences for developing countries and net food importer countries if not urgently addressed.

Continued multilateral coordination on global trade is necessary to correct many of the failures in the global food system, including by balancing countries' surpluses or deficits in food production. Adherence to a rules-based, transparent, and open food trading system would support this. Proposed reforms to the World Trade Organization to address the unfair, unequal, and negative ramifications of the free trade of agricultural products on developing countries could be one route to achieve this. More must be done to ensure trade and investment in food commodities and key agricultural inputs better benefit domestic and small-scale farmers, does not exacerbate commodity dependency, or limit access to essential food and agricultural inputs.

Structural underinvestment in food systems had particularly affected small scale farming, with majority of African countries falling short of the Maputo Declaration commitment to allocate 10% of national budget to agriculture. There is need for more financing flows – aid, concessional loans, private investment – to the agricultural sector, with the allocation of such funds taking into consideration measures that extend beyond GDP, such as vulnerability to climate shocks.

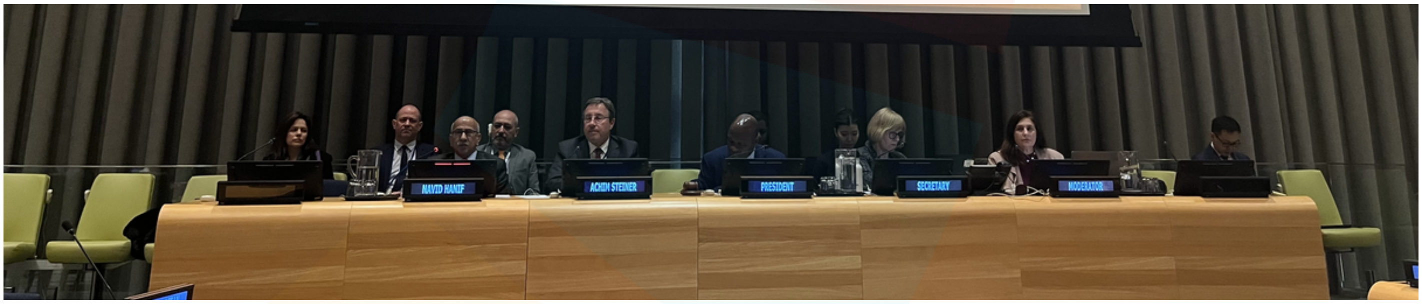
Other critical issues include the need to invest in climate change adaptation to safeguard food systems, the importance of improved market information systems to make evidence-based decisions, for example through soil mapping and food price transparency, as well as the need for policy measures to ensure greater value retention of countries' agricultural commodities, and increased investment in agricultural sectors' employment opportunities.

INTEGRATED NATIONAL FINANCING FRAMEWORKS

NATIONAL ACTIONS TO RAISE FINANCING FOR THE SDGS

Under the current context of extraordinary financing needs and economic circumstances, there had been growing demand and support for the implementation of Integrated National Financing Frameworks (INFFs). INFFs represent the growing recognition that finance is the kinetic force to bridge the SDG achievement gap and secure the future of people and the planet. Member States in the process of developing INFFs shared their experiences and lessons learned and provided examples on how INFFs can help enhance the consistency and alignment of all financing in support of the Addi Ababa Action Agenda.

As INFFs are country-led processes with national sovereignty and national development plans at their center, country experiences vary greatly and reflect countries' unique priorities, capacities, vulnerabilities, and strengths. It remains important to recognize that INFFs cannot be the lone solution to financing issues without fixing the structural and systemic constraints. INFFs should not side-line the importance of systemic reforms by domesticating the financing for development agenda.



CLOSING OF THE FORUM

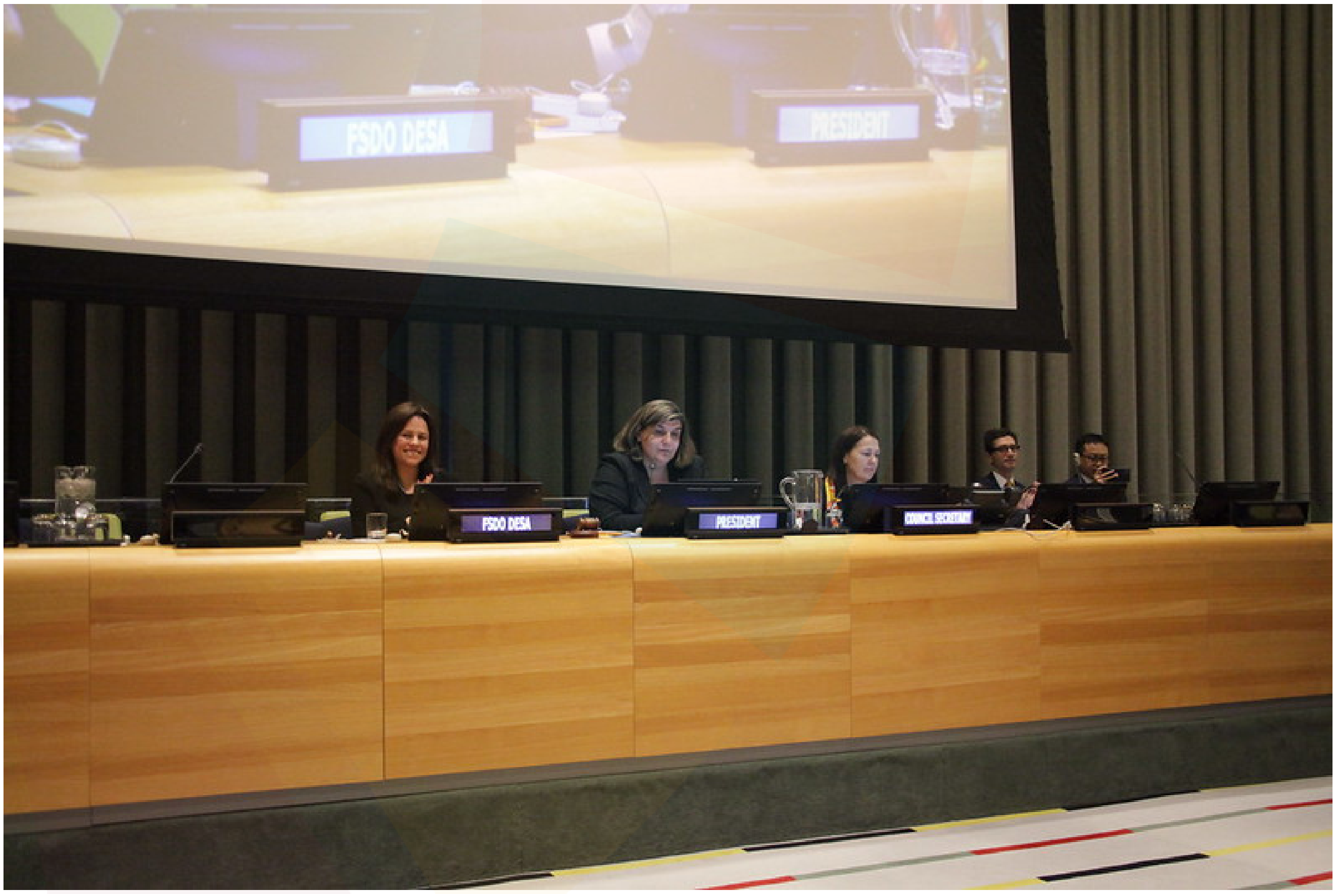
Following remarks by the co-facilitators of the outcome document, the Permanent Representatives of Portugal and Rwanda, the draft intergovernmentally agreed conclusions and recommendations of the Forum were adopted by consensus.

Statements and explanations of positions were subsequently delivered by concerned delegations. While many Member States welcomed the outcome, several comments were received that noted areas of disappointment, disassociation, and/or preferences for the way in which topics should be discussed in the future. A large number of delegations expressed disappointment that the outcome document did not include language regarding the elimination of unilateral coercive measures (UCMs) or the negative aspects of UCMs, as reflected in the 2030 Agenda and insisted that the issue be addressed in the future. Others reiterated the importance of ensuring that national policies deliver for people and emphasized the importance of rule of law, respect for human rights, good governance, and effective and accountable institutions.

There were also divergent views on the outcome document's language on tax cooperation. While some called for a United Nations-based intergovernmental tax cooperation mechanism, others encouraged operating through existing mechanisms rather than establishing parallel ones. Furthermore, tackling the debt crisis was a common concern, although there were differences in perspective regarding whether to accelerate progress by improving upon and implementing the Common Framework or exploring new more inclusive mechanisms for supporting debt distressed countries.

In her closing remarks, the Deputy Secretary-General emphasized that we must act now if we want to course correct and achieve the SDGs. She outlined several key areas for action. First, the high cost of debt and rising risks of debt distress must be tackled through improved and inclusive multilateral debt initiatives. Second, affordable and long-term financing for SDG investments must be massively scaled up. Third, the international financial architecture must be reformed in a way that responds to the challenges of today.

The President of ECOSOC expressed gratitude to all those who participated in the 2023 ECOSOC Forum on Financing for Development follow-up. She highlighted several key takeaways from the forum, including the need for reforms to the international financial institutions to meet today's challenges and the need to scale up financial resources for sustainable development. The outcomes of the Forum will inform financing discussions at the High-level Political Forum on Sustainable Development, and feed into discussions at the SDG Summit. She encouraged Member States to bring firm commitments to these meetings to ensure no one is left behind and called for a renewal of collective efforts towards achieving a more equitable and sustainable world for all.



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