

INITIAL REACTION ON THE FINANCING FOR DEVELOPMENT ASPECTS OF THE UN SECRETARY GENERAL'S SYNTHESIS REPORT

5 DECEMBER 2014

We, CONCORD's Financing for Development Task Force, welcome the emphasis that the UN Secretary General's Synthesis Report puts on the importance of far-reaching and concrete agreements on financial system reform in his report. Alongside a transformation of the world as whole that the Report stresses, a broad transformation of finance and the way it is governed will also be needed to be agreed at the Addis Ababa Conference on Financing for Development in July 2015 to meet the demands of the new integrated agenda to be agreed in September 2015 and the climate agreement in December 2015.

As mentioned in our [European CSOs recommendations on Financing for Development for the UN SG's Synthesis Report from September 2014](#), we expected nothing less than the highest level of ambition to be set by the Synthesis Report. While the Report does address some critical issues, we still believe that ambitions can be set higher.

1. We welcome the call for "effectively addressing illicit flows" being an urgent priority. To achieve this, we warmly welcome the call for the establishment of an **intergovernmental committee on tax cooperation, under the auspices of the United Nations in order to achieve the goal of stopping illicit financial flows that arise from commercial transactions**. To tackle illicit financial flows arising from criminal and corrupt dimensions, we welcome the vigorous implementation of the UN Convention against Corruption, and measures to overcome impediments to return stolen assets. The UN Secretary General calls for information exchange and judicial co-operation as methods to achieve these goals – to which we would urge to add that **exchange of tax information should be made on a multilateral and automatic basis, while establishing mandatory requirements for public country-by-country reporting of Transnational Corporations, establishing public registers of the beneficial owners of companies, trusts and similar legal entities**.

2. We welcome the emphasis on the need to reform institutional arrangements for sovereign debt restructuring. The call to set up an informal forum on sovereign debt could be an important step, this should in no way be seen to replace or take place in parallel to the process to set up an intergovernmental process to establish a fair and permanent system of debt work-out as called for by the UN General Assembly in September 2014.

3. We welcome the call for the **full implementation of past ODA commitments; we call on EU member states to respond accordingly by leading by example**. We also welcome the call by the UN Secretary General to ensure that the proportion of ODA going to LDCs does not decline. However **we regret that there is no new commitment to improve the existing Istanbul commitments of ODA to the LDCs of 0.15% of GNI by 2015 to at least half of ODA (to 0.35% of GNI when donors reach the 0.7% target)**. Most recently, **the LDCs called on donors to channel half of ODA to LDCs at their ministerial meetings in Benin in July 2014** – a target that was supported at the UN level by UN Under-Secretary-General and High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island

Developing States. Calls by these countries should be heard as these countries are the least likely to be able to mobilise other resources for financing their development including domestic resource mobilisation or private sector financing, which the UN Secretary General acknowledges as reasons to earmark ODA for the LDCs in general, but falling behind the demands by the LDC group in meeting these aims for a transition that leaves nobody behind in reducing poverty and inequality while placing LDCs on a path towards sustainable development.

3. The UN Secretary General Report also strongly encourages countries to adopt innovative ways to raise additional resources to fund sustainable development. The **report explicitly mentions the Financial Transaction Taxes (FTTs)**, which is currently being implemented in a group of 11 European Countries and versions of similar taxes exist in several developing and OECD countries in a much more limited scope. The UN Secretary General, **however, fails to mention that such taxes are also means for reducing harmful economic, social and environmental externalities of financial markets** – and the UN SG report makes no link between the FTTs and the call for “comprehensive and adequate financial regulation in all countries”, as the world is still coping with the effects of the financial crisis that has hit the poorest and most marginalised individuals and communities in developing countries the most. **The UN SG also mentions carbon taxes and airline ticket levies as further innovative means of financing for sustainable development, which would both raise revenue and tackle some of the negative environmental externalities.** The report mentions harmful fossil fuel subsidies, both direct and indirect, to be phased out – but does not consider that these are innovative sources of development financing, which also correct market externalities and can be used to finance sustainable development.

4. The role of the private sector investment policies according to the UN Secretary General’s report should be aligned with the UN’s Guiding Principles on Business and Human Rights as well as core labour standards of the ILO and UN environmental standards. **In relation to private sector actors beyond investors, the UN Secretary General urges companies to be responsible and accountable to wider Economic, Environmental, Social and Governance (EESG) reporting to be made mandatory. However the UN Secretary General falls short of calling for access for justice for victims of corporate abuse, and including a strengthened EESG requirement for public country-by-country reporting and environmental impact reporting in order to set the bar high on corporate transparency and accountability.** The UN Secretary General’s report does not, however address many of the broader issues related to Foreign Direct investments flows, and transparency and accountability of these flows to diverse constituencies and stakeholders to understand the quality and not just the quantity of these commercial private sector flows. **There is a useful paragraph concerning access to financial services, but access to other goods and services that have a high impact on reducing poverty and inequality in developing countries should also be prioritised.**

5. The UN Secretary General raises the issue of blended financial platforms as having “great potential” and linking it with benefits to the public sector. **While the UN Secretary General’s calls for private financial platform of blended financing not replacing or compromising state responsibilities as the primary actor who is responsible for meeting the requirement of progressive realisation of human rights** as a core duty of states, the complementarity argument is not made in a convincing manner for blended financial platforms. Also the report does not make specific mention of women’s rights as especially being met through progressive fiscal policies. **The duty of states to provide adequate**

resources for meeting human rights commitments should be more clearly stated more generally as these duties are primarily a matter of mobilising domestic resources and especially taxation. Indeed, this great quantitative potential is not matched with a great qualitative potential towards meeting the requirements for access to finance for small and medium-sized enterprises, and using national systems (including national development banks) as intermediaries for ensuring that blended financial platforms reach SMEs.

Also the compatibility of private financial platforms such as blended finance with wider development effectiveness principles should be assured, including PPPs which the report does not address at all. **The UN Secretary General establishes some development effectiveness criteria concerning private financing concerning access to financial services, but makes no explicit inclusion of development effectiveness principles for all forms of financing for development, both public and private. Without such standards it is not possible to assess whether support for private sector platforms is more effective than other forms of development finance.** The United Nations would be a suitable place to establish a regulatory framework for the mixing of public and private finance for development and to significantly improve transparency at all levels of blended projects, leveraged financing and other platforms that have a component of official resources in the form of development assistance to significantly improve transparency of both such projects – and **to use the official public finance resources to shine light on the widest possible set of private sector flows ranging from portfolio investments, monetary flows, deposits, foreign direct investments by countries and sectors.**

The issue of policy coherence for sustainable development is not addressed sufficiently by the UN Secretary General's report, as it is only referred indirectly in different parts of the report when references to national visions and plans and annual budgets and medium-term expenditure frameworks should be aligned with national sustainable development strategies. However what the report does not mention is how actions by developed countries and global rules on finance, international monetary arrangements and macro-economic policy advice by international financial institutions hamper the capacity of developing nations to achieve their fullest development potential and mobilisation of financial and other resources for sustainable development. **The UN Secretary did not highlight the specific responsibility this principle implies vis-a-vis developed countries and international financial institutions and other bodies governing macro-economic and financial stability to ensure that due care is accorded to prevent their actions (or the actions of actors that fall under their jurisdiction) in all domains having a negative impact on- or undermining their own policy to support- the advancement of international commitments in the domain of sustainable development, climate change etc. It must stress the urgent need to establish mechanisms to monitor and assess the impact on sustainable development of new policies.**