Financing for Development: 1st drafting session (28-30 January 2015)
EU written comments

Domestic public finance

General

- As the co-facilitators' paper says, "domestic resource mobilisation is at the crux of financing for sustainable development". Yet this could be further reflected in the text, which puts too much emphasis on international finance, and in particular ODA. The mobilisation of domestic public resources – primarily via a sound, efficient and transparent tax system – is an indispensable precondition to sustainable development. Domestic enabling environment, policies and policy coherence should be highlighted.

- Domestic public finance is by far the largest source of financing directly available to governments for investment in sustainable development. It also tends to be less volatile than international flows. Moreover, domestic taxation is an important component of the social contract that underpins government accountability.

- "Major challenges": We have concerns about the very international focus of the challenges presented. More balance is required here. We are after all talking about domestic resources: the key to strengthening their mobilisation must be to strengthen domestic policies – though international cooperation can help.

- Would welcome more focus on good governance aspects and the fundamental role played by domestic policies to generate inclusive growth and sustainable development, as well as on the use (as opposed to only the mobilisation) of tax revenues. For instance, the treatment of natural resource taxation in the paper largely misses these dimensions.

- Text could also be clearer on the importance of formalising the economy for DRM.

- Need to prevent revenue leakages through crimes such as corruption and tax evasion. So national and international action to combat these crimes and ensure effective anti-money laundering and asset recovery regimes is essential. We should encourage countries to join the UN Anti-Corruption Convention.

- Transparency of government revenues (including natural resource revenues) and expenditures is essential.

Priorities

- Good governance is the starting point. All countries should implement sound domestic policies and reforms to create favourable conditions for macroeconomic stability, inclusive growth and sustainable development. This implies putting the right emphasis on an environment conducive to private sector development, investment, trade, as well as science, technology and innovation. Labour and environment legislation and its enforcement, education, gender equality, democracy, the respect of fundamental rights and freedoms and Disaster Risk Reduction are also essential in this respect.

- Good tax governance should be an objective for all countries (transparency, exchange of information and fair tax competition). Implementing effective measures to counter illicit financial flows at both national and international levels through a broad range of measures is equally important.

- All countries should work to move towards appropriate tax-to-GDP ratios. The tax-to-GDP ratio should be increased in countries where it is too low by all standards. Recent OECD/DAC research shows that a 1 % increase in LICs' tax-to-GDP ratios would raise as much money as doubling the total ODA they receive. Taxes should be raised in a fair, efficient and equitable manner.

- Tax policy and administration are intrinsically linked. Priorities include the standardisation, specialisation and simplification of procedures so as to reinforce tax compliance and promote equity. The international community should assist countries most in need in strengthening their revenue administrations and improving public financial management, including through technical assistance. This includes strengthening the management of compulsory social security contributions.

- Promoting a transparent, cooperative and fair international tax environment is also necessary to tackle tax evasion, avoidance and aggressive tax planning. It is essential that international standards are designed to provide global solutions benefitting all countries. Global participation in international tax cooperation initiatives should be an objective.

- Natural capital constitutes a critical part of many countries' total assets, and ecosystem services and natural resources extraction provides an important source of – existing or potential – revenue for some countries. This wealth should be put at the service of sustainable development. All countries should aim at increasing valuation practices, transparency, accountability and sustainability in the management of their natural resources.

- We also have to acknowledge that investing in resource management/protection can be cost-saving, and therefore contribute to raising revenue. For example, investing in watershed management as part of water quality management yields benefits in the long term.

- Environmentally-harmful subsidies, including fossil fuel subsidies, should be gradually eliminated – to provide a double dividend in terms of freeing finance for social spending and avoiding policies that encourage wasteful consumption and undermines sustainable development. Indonesia has shown recently that rationalisation of such subsidies is feasible.

- Pricing carbon (e.g. through carbon taxes) can also play an important role in raising resources and aligning incentives with sustainable development and the provision of Global Public Goods.

- The polluter pays principle is important. According to WHO, deaths in lower and middle income countries in 2012 caused by pollution of air water and soil were more than 3 times those caused by HIV/AIDS malaria and TB combined. Governments can lower the incidence and costs of diseases such as heart disease, stroke and cancer by ensuring a regulatory environment that provides incentives not to pollute.

- Women's rights and economic empowerment is a prerequisite for sustainable development and this issue should be addressed as a horizontal priority in the outcome of Addis. It is critical to institutionalise a gender-sensitive approach to public financial management, including gender-responsive budgeting across all sectors of public expenditure.

Specifics

- Remarks on the specific actions proposed in the annex:

  - Important that all countries commit to optimising their domestic resources mobilisation and allocation. Therefore we are ready to explore proposals on strengthening countries' tax-to-GDP ratios. In doing so, we should be careful to take into account the different circumstances and development levels/needs of countries. We would also be interested in exploring a "proportion of a country's budget funded through tax" target.

  - Welcome calls to improve gender budgeting. Important to provide support to countries which are implementing tax and PFM reforms in order to assess the impacts their reforms will have on gender equality.

  - Welcome support to strengthening capacity in revenue administrations. Underline the equal importance of a growth and development enabling environment to further improve domestic revenue mobilisation and allocation.

  - Financing local authorities must be addressed in the Addis framework. Sub-national bodies will be at the forefront of implementation. We should develop tax capacity at the sub-national level (cities and local authorities).

  - Natural resource taxation: All countries should increase transparency, accountability and sustainability in the management of their natural resources, as well as ensure that this wealth is put at the service of sustainable development. Critical that natural resources and ecosystem services are properly priced and fully internalized into effective decision-making.

  - One issue that is missing from the Annex is the polluter pays principle. Governments need to ensure that the cost of pollution prevention and sound chemicals and waste management falls on the economic actors concerned and not, as now, disproportionately on the poorest in society.

  - Instead of focusing on one analytical tool to analyse PFM performance (IMF Fiscal Transparency Code), we should extend coverage to the Public Expenditure and Financial Accountability (PEFA) framework and the Tax Administration Diagnostic Assessment Tool (TADAT).

  - On PFM transparency: we should encourage countries to join not only the Open Government Partnership but also other initiatives such as the International Budget Partnership and the Extractive Industries Transparency Initiative (EITI).

  - Upgrading the UN Tax Committee into an intergovernmental committee: the current format of a committee of independent experts, chosen on a broad international basis, is appropriate. To enable a better field for discussion the focus should be on improving cooperation among existing bodies and an increased inclusion of developing countries into international standard setting procedures. Furthermore, a cost-benefit analysis should be conducted before any decision can be taken. We would also need to have more clarity on what would be the exact mandate of such committee.

- An important building block is the proposal to phase out harmful fossil fuel subsidies, while compensating the poor.

- Welcome the proposal to discuss putting a price on carbon emissions while realizing that the UNFCCC is the primary intergovernmental forum for negotiating the global response to climate change.

- The EU has over recent years shown its commitment to move towards automatic exchange of information. However we recognise the operational challenges involved in extending such arrangements globally and see the need to find a solution for all countries (exchange of information on request could be a medium-term objective).

- Welcome proposal to further international cooperation on corporate taxation so as to prevent harmful tax competition.

Domestic and international private finance

General

- Harnessing the potential of private entrepreneurship is central to sustainable development and reaching global objectives. The FfD process needs to address this issue as a priority. We need to reaffirm the central importance of private sector led inclusive economic growth as the principal creator of productive jobs and enabler of long-term poverty reduction and sustainable development. Addis should bring out the crucial role of the private sector in generating inclusive economic growth, creating decent jobs and ensuring the transition to a green economy.

- Private finance, including finance from institutional investors (e.g. pension funds, insurance companies) is larger than all public resources combined: need an enabling environment at domestic and international levels for harnessing this potential, a conducive business climate.

- The private sector can play a much more important role in contributing to sustainable development, provided we set the right incentives. Global savings represent about US$20 trillion; even small shifts in private investment priorities and modalities can bring about significant sustainable development benefits. Such shifts can be achieved through policy incentives and regulations, as well as by the use of public resources to channel private investment towards commonly agreed policy priorities.

- The issues raised by the co-facilitators are pertinent, but we think that the focus on the financial sector is too limited and misses the key issues holding back the private sector especially in the poorest countries. We should address the financing gap faced by the poorest countries, providing policy guidance to emphasise what should be done to attract private investors and sustainable financing. We should give proper consideration to domestic financial sector development and sustainability.

Priorities

- The key to private sector development is an enabling environment at country level for both domestic and international investors, big and small. The conference needs to identify clear national actions – including appropriate regulation, safeguards and reporting requirements – needed to ensure a thriving and sustainable private sector, including tackling the core causes of money leaving and not entering countries. That includes reforms in line with the Doing Business index.

- We would prefer to see more specific proposals on developing countries' institutional framework to attract more private flows; more proposals on the regulatory framework needed for a thriving SME community and for supporting the formalisation of the economy.

- Action is also needed nationally to develop more efficient and better regulated financial markets (for secure savings, insurance and money transfer services as well as credit to individuals and firms) and promote financial inclusion and financial literacy. Support the emphasis given to financial services, while recognising that credit on its own is not sufficient.

- The work on project pipelines and fostering long-term investment is important, and we should focus on getting the right incentives in place. The importance of infrastructure is well acknowledged. National development banks and other specific public finance instruments (guarantee funds) for long-term infrastructure have a potential that should be tapped into.

- We support increasing focus on sustainability and accountability of the private sector, including appropriate national rules on public procurements (one of the largest markets), respect for international core labour standards, multilateral environmental agreements.

- The polluter pays principle is important. Reducing pollution would provide global public health benefits and give a level playing field for international competition. Setting pollution limits and imposing fees also helps raising awareness of, and financial means for, the protection of Regional and Global Public Goods (e.g. health, water, climate).

- We need to increase synergies with existing financing processes, including climate and biodiversity.

- Environmental, Social and Corporate Governance reporting, comprehensive reporting on social and environmental performance, as well as development and use of standards, schemes and labels on products and services that can provide economic, environmental and social benefits including gender equality outcomes.

- Corporate Social Responsibility should be promoted, in particular through the implementation of internationally recognised guidelines and principles, including the UN Guiding Principles on Business and Human Rights.

- We should aim at intensifying international cooperation aimed at sustainable and more responsible global value chains.

- We also encourage business to advance gender equality through actions that contribute to women's and girls' employment, entrepreneurship, and control of assets. It is critical to address existing legal barriers to women's full economic participation, including: not being allowed to sign a contract, register a business, open a bank account, or own property.

- The costs of transferring remittances need to come down, and countries should work with the financial sector to create the appropriate incentives for that, guaranteeing full compliance with international AML/CFT standards. The added value of setting up new platforms is unclear.

- While domestic action and policies are the key to unlocking national and international private sector resources, countries also need to work together to ensure that the international environment is coherent and ensures a level playing field for the private sector. There is a case for international action and strong partnerships:

- To share expertise and capacity building support – for improving the investment climate, developing effective PPP legislation and regulatory frameworks, developing domestic capital markets, preparing bankable projects and negotiating/managing contracts.
- To leverage additional private finance – DFIs, blended finance platforms, equity, loans and guarantees can mobilise private sector finance and incentivise long-term investment in critical infrastructure sectors (such as power and transport) in developing countries.

- To partner with private sector groups to support the growth of new asset classes in infrastructure and sustainable investment.

- To harness the potential of social impact investment through developing common standards and encouraging commitments, for example from philanthropists and investors.

* Highlight the potential of blending and other innovative financial instruments. Blending involves combining grants with additional non-grant (public or private) resources such as loans and equity to catalyse public and private investments in partner countries. Blending, when rightly used, has the potential to increase the effectiveness and development impact of grant money. It can contribute to channel more private capital into sectors that are crucial for sustainable development, such as agriculture, forestry and energy. The targeted use of grants can address market inefficiencies and can make projects with a high economic and social return but insufficient financial return, possible. Grants can set incentives, address factors that hold back investment and send out positive signals to market actors.

* Trade distorting subsidies in developing countries are on the rise, so for balance purposes any reference to trade-distorting subsidies should refer to those of any origin – or not at all.

* Well-managed migration and mobility are potential enablers of inclusive growth and sustainable development. The EU would want to see stronger text on migration and mobility in the Addis outcome document, including on the facilitation of orderly, safe and regular migration and mobility of people; possibilities for cross-border skills recognition; explore the possibility of portability of earned benefits; protection of the rights of migrant workers in compliance with the ILO's fundamental conventions, as well as of the rights of displaced persons.

International public finance

General

- ODA remains an important and catalytic element in the overall financing available for developing countries, and in particular countries most in need. Though it is quantitatively of small significance for developing countries as a whole, it is a major source of finance for LDCs which are particularly lacking domestic capacity to raise other sources of finance.

- EU has made ambitious ODA commitments, including collectively committing to 0.7% ODA/GNI by 2015 and to 0.15-0.20% ODA/GNI to LDCs. We are not shying away from them and are determined to fulfil them, even if we have not yet been able to fully deliver due to an unexpected – and major – global financial and economic crisis.

- This was confirmed last December by the European Council of Ministers, which recalled that "development cooperation remains a key priority for the EU, which has formally undertaken to collectively commit 0.7% of GNI to official development assistance (ODA) by 2015, and by which the EU and its Member States reaffirmed all their individual and collective ODA commitments, taking into account the exceptional budgetary circumstances".

- The EU has done a lot since the 2000 Millennium declaration: gradually increasing our contribution to reach 0.43% ODA/GNI in 2013 (close to €57 billion). That is much above the OECD/DAC average and represents a huge increase despite all financial odds (we were at 0.32% of GNI in 2000). The EU collectively has consistently accounted for more than half of the ODA reported by the OECD/DAC. We are very proud of this and think that this deserves recognition, especially during a period of very difficult financial constraints.

Priorities

- But the world has changed since 2000: there are new emerging economies and donors; new non-State actors such as the private sector and foundations; new instruments such as blending. The development agenda also has to evolve to reflect that. In particular, the post-2015 agenda will have to be universal, in goals and in financing.

- The UNSG Synthesis Report called on all developed countries to commit to the 0.7% target, but also on emerging countries to set targets and timelines to increase their contribution to international public financing, and this in a transparent manner. The SG made an ambitious proposal, and indeed, ambitious commitments will be needed by all if we are serious about post-2015.

- Disappointed that the co-facilitators' text goes back on that. Emerging economies and advanced developing countries – that already provide a substantive contribution to international public finance through South-South cooperation – should now also make commitments. Language on South-South cooperation should also refer to development effectiveness principles. We stand ready to play our part, but in the context of fair burden sharing, by which we mean universal commitments in line with capabilities.

- Beyond quantity, we should not lose sight of quality: we need development effectiveness principles to be embraced by all, in the spirit of Busan. The “Major challenges” list should include ensuring the development effectiveness of all flows and all actors – including recipients. The post-2015 agenda will provide a common purpose for the activities of all development assistance providers, including South-South cooperation.

- We should acknowledge that ODA increasingly integrates climate benefits in its conception and implementation, whether this relates to adaptation or mitigation. Fighting climate change and eradicating poverty are two sides of the same coin.

- We should build on the successful experience of partnerships, for example in health and education which have driven innovation and results,

- Monitoring of international public finance flows should be tackled in the context of overall monitoring of all MoI which is itself an integral component of holistic monitoring of the post-2015 framework. The final text will have to make that clear.

- We would welcome further work on markers, and their application to all international public finance flows in a more systematic way.

Specifics

- Remarks on the specific actions proposed in the annex:

    - Language on South-South cooperation is too weak and should be aligned on the UNSG Synthesis Report (commitments with deadlines). It should also refer to development effectiveness principles.

    - An expert group to separate climate finance from development finance would be an unnecessary distraction and go against the logic of integration of sustainable development that prevailed in the Open Working Group.

    - Additional ideas to be explored include support to local authorities.

    - Importance of facilitating access at all levels to existing sources of financing for sustainable development.

Trade

General

- Importance of participating in global trade for development, and support effective integration of all countries into the global economy. See success stories in many developing countries. The EU supports this process strongly and remains developing countries' largest trading partner and the market most open to them.

- Global trade is clearly shifting towards developing countries. In fact most trade in the world already happens between developing countries. At the same time, there is a growing gap between emerging economies and the poorest countries in terms of trade gains. Recognition of this shift and of its consequences is essential, both in terms of prioritisation of LDCs and other countries most in need, and in UMICs and emerging economies assuming greater responsibility towards poorer countries.

- WTO is the forum for discussing international trade rules. Progress since Bali is encouraging. The EU supports an ambitious outcome that helps the poorest countries benefit from an open and transparent trade environment, and we are proud to have exceeded our Aid for Trade commitments.

- Inclusion of wording on export subsidies is not entirely balanced. However, trade-distorting subsidies in developing countries are on the rise, so any reference to trade-distorting subsidies should refer to those of any origin. Alternatively, we would suggest no reference to origin at all.

- Existing EU legislation against the trade in illegally sourced timber is an example of how consumers can help producers to raise revenue from sustainably used domestic natural resources and strengthen governance to that end.

Priorities

- The co-facilitators' paper does not reflect this situation adequately, especially as it does not address the key hindrance to deriving benefits from trade: the domestic business environment.

- The FfD outcome document should be forward-looking and focus on the key elements of domestic actions to benefit from global trade. It should encourage implementation of the Bali decisions and a prompt conclusion of the Doha Development Agenda.

- Trade starts at home. The enabling environment that facilitates trade at local, national and regional level is central, and should be an integral part of actions to support private sector development. That includes ensuring contribution to sustainable development outcomes.

- Regional trade agreements are an important part of tools to help countries benefit from global trade.

- All HICs, UMICs and emerging economies should offer duty-free, quota-free access to all LDC products.

- All countries should enhance the integration of sustainable development to their trade policy and support international measures to combat illegal trade harmful to the environment.

- Aid for Trade continues to be an important element for the poorest countries to better access regional and global markets; all HICs, UMICs and emerging economies should support the poorest countries, notably through improved market access and through the provision of Aid for Trade in respect of development effectiveness principles.

Specifics

- Remarks on the specific actions proposed in the annex:

  - The EU has always been a frontrunner regarding efforts to make trade work for inclusive growth and sustainable development. We are very proud of our achievements notably: our market is the most open to developing countries thanks to our GSP, including the Everything but Arms initiative; the EU and its Member States are collectively the world's leading provider of Aid for Trade with about a third of the total and a record €11.6 billion in 2012; our trade agreements are comprehensive and contribute to integration into regional and global value chains; and we have integrated sustainable development into our trade and investment policy; and we have an integrated approach to the assessment of the impacts of its trade agreements on economic, social and environmental aspects, as well as human rights.

  - From the outset, the EU would like to recall its attachment to both the Monterrey Consensus and the Doha Declaration on Financing for Development, including their provisions on trade. These provisions are objective and balanced, and based on core principles which the EU holds dear. The Addis outcome document should abide by the same principles and follow a similarly balanced approach.

  - The EU would first like to pinpoint the core principles underpinning the trade dimension of FfD, and which have to be reflected in the Addis outcome document:

    a. Trade is a key factor for inclusive growth and sustainable development. No country has ever experienced lasting growth and development without integrating into global trade. Trade is therefore an important means of implementation for the post-2015 framework.

    b. The EU recognises the primacy of the WTO with regard to trade issues at global level, based on its core functions of rule-setting, dispute settlement and monitoring of trade policies. The EU considers that the rules-based multilateral trading system established by WTO plays an invaluable role in creating a level-playing field for all countries, notably developing ones. The EU therefore remains fully committed to the conclusion of the Doha Development Agenda and the implementation of the Bali package, notably the Trade Facilitation Agreement and the LDC elements. The EU will constructively engage in the upcoming negotiations on the post-Bali work programme with a view to completing the Round promptly.

c. Each country has primary responsibility for maximising the potential of trade for inclusive growth and sustainable development based on ownership, good governance, and sound domestic policies and reforms. The aim is to create a stable and predictable regulatory environment that is favourable to the private sector and investment, and which contributes to a country's integration into regional and global value chains. At the same time, countries have to ensure internationally-agreed labour standards and adequate skills for the workforce, while promoting the transition towards a green economy.

d. Many countries, notably emerging economies, have successfully realised the potential of trade to boost growth and lift hundreds of millions out of poverty. LDCs and other countries most in need have not enjoyed similar gains: they need support, notably in the form of improved market access and Aid for Trade. The Addis outcome document will have to recognise the new paradigm of the global economy: on the one hand, prioritise LDCs and other countries most in need; on the other, recognise the increasing responsibility of upper middle-income countries and emerging economies in supporting them.

- In addition to these core principles, the EU would like to highlight the following key trade elements for the Addis outcome document:

  a. In order to generate momentum, the Addis outcome document must be positive, balanced and based on facts: for instance, any mention of trade-distorting measures or subsidies should refer to those of all countries, not only developed ones.

  b. Unilateral preferences continue to matter. All developed countries, upper middle-income countries and emerging economies should provide duty-free and quota-free access to their market for all LDC products.

  c. Developed countries, upper middle-income countries and emerging economies should also prioritise LDCs in their Aid for Trade, and provide it according to development effectiveness principles.

  d. To make trade work for sustainable development, one has to look at 'behind the border' issues: trade facilitation; technical norms and standards; labour and environmental standards; investments; services; intellectual property rights; etc.

  e. The potential of regional and interregional trade agreements as effective building blocks towards regional or wider trade integration efforts, including integration into regional and global value chains, must be maximised.

  f. Implementation of the WTO Trade Facilitation Agreement must be a priority as it will be of major benefit to developing countries, notably LLDCs.

  g. Sustainable development, including the labour and environmental dimension, must be fully integrated into trade policy and trade policy instruments, at all levels. This includes trade and investment agreements, as well as multilateral negotiations, notably the Green Goods initiative.

h. Assessing the sustainability impact of trade agreements and their impact on LDCs would also be of importance in this respect.

Technology, innovation and capacity building

General

- The EU supports a vision of science, technology and innovation (STI) as important drivers of smart, sustainable and inclusive growth. Promoting innovation and knowledge-sharing can facilitate both technology development and diffusion. Research and innovation help optimise complex systems and value chains that are needed to deliver products, technologies, processes and services, enable the development of start-ups and SMEs and other opportunities for citizens to get out of poverty. Research and scientific knowledge also support smart policy planning and decision-making.

- The EU supports the full inclusion of STI in post-2015 MoI (in line with Resolution 68/220 'STI for development').

- The way in which the issue of technology and innovation is addressed in the co-facilitators' paper text is too narrowly centred on the transfer of existing technology, which has only incomplete impact. Also, Science is not adequately addressed.

- All countries need to invest in new solutions, technological and non-technological ones. In this light, discussions on STI will have to consider the role of governments at national level to support investments in research and innovation, to create an enabling environment for innovation and knowledge circulation, and to support international research cooperation consistently with the framework provided by a universal post-2015 agenda.

- North-South has lost relevance in today's world: emerging economies are becoming key players in the transfer of technology and capacity-building for LDCs, as well as in scientific and technological cooperation. South-South and triangular cooperation play an increasingly important role.

Priorities

- Considerations about technology have to be addressed in a broad STI agenda. Discussions on STI will have to consider also the role of governments at national level to support investments in research and innovation, create an enabling environment for innovation and knowledge circulation, and support international research cooperation consistently with the framework provided by a universal post-2015 agenda.

- All partners should promote incentives for innovation, starting with setting up an enabling environment and incentives at domestic level for innovation, science and technology cooperation, adequate protection of intellectual property rights according to WTO rules, and the facilitation of technology diffusion and transfer on mutually agreed terms.

- As most of the technologies are owned by the private sector, their transfer cannot be made mandatory. It should instead be fostered by conducive policy frameworks. In that context, public-private partnerships and investments in research and development could be also promoted.

- All countries should increase bilateral, regional and multi-lateral cooperation on science, technology and innovation and solution-oriented research; strengthen respective scientific, technological, statistical and research capacities and promote worldwide and cross-sector mobility of researchers and open access to publicly-funded publications to facilitate knowledge circulation.

Specifics

- Remarks on the specific actions proposed in the annex:

  - The EU and its Member States support a broad vision of science, technology and innovation as important drivers of smart, sustainable and inclusive growth in the post-2015 framework. Regarding the Elements Paper, we would like to make three observations:

    a. The way in which science, technology and innovation is addressed is too narrowly centred on the transfer of existing technology, which will only have a limited impact. The importance of science is not highlighted. Also, the role of international cooperation in research and innovation is not adequately addressed.

    b. Considerations about technology have to be addressed within a broader science, technology and innovation agenda. The role of national policies and enabling framework conditions at country level should be further elaborated. In this context, increasing national spending and investment in research and development, including through public-private partnerships, should be promoted.

    c. The developing-developed countries dichotomy does no longer reflect the complexity of today's world: emerging economies are becoming key players in the transfer of technology and in capacity-building for LDCs, as well as in scientific and technological cooperation. South-South and triangular cooperation play an increasingly important role.

  - Since most of the technologies are owned by the private sector, their transfer cannot be made mandatory. Rather, it must be fostered by a policy environment that is favourable to science and technology development and diffusion, including transfer of technology on mutually agreed terms. In this respect, the EU would like to stress the importance of a proper IPR protection regime at domestic level in respect of WTO rules.

  - All countries should increase bilateral, regional and multilateral cooperation on science, technology and innovation and solution-oriented research; strengthen scientific, technological, statistical and research capacities; promote worldwide and cross-sector mobility of researchers; and promote access to publicly-funded publications to facilitate knowledge circulation.

  - The UN could continue to facilitate access to information on existing technology mechanisms and promote coherence and coordination between existing and new technology mechanisms – while ensuring value-for-money and avoiding duplications. The EU will carefully examine proposals that have been made in this respect.

Sovereign debt

General

- Debt is an important element of domestic public finance and should be considered in that context. Sustainable debt financing, underpinned by effective debt management, must be at the centre of national public borrowing strategies. It should ensure that no country is at high risk of, or in, debt distress. It should be informed by a respect of sustainable borrowing and lending practices.

Priorities

- In the co-facilitators' document, there is too much emphasis on debt crises/resolutions and insufficient emphasis on national debt management and borrowing and lending policies. The "Major challenges" list should also address that.

- We are willing to strengthen international efforts towards debt management capacity building in developing countries.

- There needs to be a clear separation between the discussions on debt financing in the FfD process, and the separate UN process which will move in parallel on sovereign debt restructuring mechanisms.

- On sovereign debt restructurings: Their presentation in the paper is not balanced, and does not sufficiently recognise the progress made to strengthen the orderliness and predictability of the sovereign debt restructuring process. There is ongoing consensual work on this issue at the IMF. It should not be addressed in the Addis exercise.

- The sovereign debt discussion should better be included under the more general "domestic public finance" section. As the paper says "sovereign borrowing is closely linked to domestic resource mobilisation".

Specifics

- Remarks on the specific actions proposed in the annex:

    - "Incorporating financing the SDGs into debt sustainability frameworks and assessments": What does that mean?

    - "Continue existing discussions on a multilateral framework for sovereign debt restructuring": We consider the IMF as the primary forum to discuss sovereign debt restructuring issues given its extensive experience and technical expertise in this area, and its global membership. This important role played by the IMF is missing in the paper. This policy proposal should be either deleted (preferable) or, at the very least link it specifically to the work of the IMF.

    - Creating a sovereign debt forum to facilitate creditors-debtors-stakeholder engagement should not be mentioned, except if it refers to existing fora (Paris Club and Paris Forum). The Paris Club framework should be clearly recognised.

- We do not support the following proposals: "Implement a mediation service" and "convene a UN-and-IMF supported intergovernmental committee to develop proposals for that may win widespread support".

Systemic issues

General

- The EU is a firm promoter of effective multilateralism and a supporter of the fundamental role of the UN system in global governance. It is indeed a founding principle of the EU, in the words of the Lisbon Treaty, to "promote multilateral solutions to common problems, in particular in the framework of the UN".

- The world financial and economic crisis has made this even more necessary, having laid bare the extent of global economic interdependences. The challenges that we must address are shared by many: coordination is essential.

- We should work together to enhance the coherence and consistency of the international monetary, financial and trading systems in support of development – need for greater policy coherence at national and international levels. We recall Monterrey and Doha language in that respect.

Priorities

- Implementation of the post-2015 agenda will require effective and transparent international governance, stable financial markets and strong economic cooperation amongst nations. There will also be a need to assess, and report on, progress against objectives.

- The global financial crisis has highlighted the need for multilateral institutions that can manage our interdependence. The EU welcomes the efforts made by the Bretton Woods institutions to implement reforms that will result in a governance structure that better reflects the realities of the world economy, including progress made to strengthen the voice of emerging economies and developing countries. This is needed to enhance the institutions' credibility, legitimacy and effectiveness.

- Our priority continues to be for all IMF members to ratify the 2010 Quota and Governance Reform as soon as possible. We attach high importance to securing this objective. All EU Member States have already done so. The EU encourages members which have not yet ratified the 2010 Reforms to do so expeditiously. Once in effect, the 2010 IMF Quota and Governance Reform will result in a shift of more than 6 percent of quota shares to emerging economies and developing countries and more than 6 percent from over-represented to under-represented countries, while protecting the quota shares and voting power of the poorest members. At the same time, the EU is open to a constructive agreement on a package of interim measures, provided there is broad consensus for such measures amongst the IMF membership.

- The global financial crisis also underlined the importance of trade as an engine of growth. The EU remains committed to the WTO and the Doha Development Agenda recognising that open economies and free international trade are essential for the global recovery. We will continue to try and move forward where possible at the WTO, for instance on trade facilitation which would have a huge positive impact for developing countries, and also make sure that our Free Trade Agreements prepare the ground for the next level of multilateral liberalisation and rulemaking. The Addis document should mention the multilateral trading system.

- Greater cooperation between the UN, the Bretton Woods institutions and the WTO is needed, based on a clear understanding of, and respect for, respective mandates and governance structures. UN system-wide coherence also needs to be enhanced.

- All providers of international development cooperation should implement the specific commitments agreed under the Global Partnership for Effective Development Cooperation, with a focus on improving effectiveness, transparency, reducing donor fragmentation, strengthen delivery, accountability, measurement and demonstration of sustainable results, implementing the agreed approach in situations of conflict and fragility, and deepening public private engagement for development impact.

Specifics

- Remarks on the specific actions proposed in the annex:

  - "Implement SDRs as the main international reserve asset": We are open to considering possibilities to enhance the role of the SDR subject to existing IMF guidelines and rules. However, SDR will not and cannot be the main international reserve asset. Therefore, this bullet should be changed to: "Implement SDRs as an important reserve asset, in line with the Articles of Agreement of the IMF."

  - "Systematically issue SDRs, with a development dimension in the allocation":

    a. Not possible to systematically issue SDRs because, according to the IMF Articles of Agreements, allocations of SDRs have to be based on a long-term global need to supplement existing reserve assets. We would therefore propose to delete this proposal.

    b. There are also considerations of substance that would call against a systematic allocation of SDRs: (1) regular unconditional allocations of SDR could cause moral hazard as countries would have permanent access to low interest rate liquidity, regardless of their policies and likelihood of repayment – increasing the default risk to Fund members; (2) providing SDRs on a regular basis might also induce countries to postpone necessary adjustment, as it is very difficult to ensure that SDR allocations are not regarded as a substitute for traditional IMF lending programmes with ex post conditionality or contingent credit lines with ex ante conditionality.

  - "Substantially increase the volume of quota-based resources available to the IMF": Once the 2010 Reform is ratified by IMF members, quota resources will be doubled. Pending the ratification of the 2010 Reform, the Fund's resource structure will continue to rely on temporary borrowed resources as a necessary supplement to quota resources. Therefore, we believe that there is a need to honour the commitment by the G20 in April 2014 to maintain a strong and adequately resourced IMF. We propose to delete this policy idea and replace it by the G20 agreement's sentence: "Maintain a strong and adequately resourced IMF."

  - "Strengthen and extend the network of regional and cross regional financial safety nets, potentially with the IMF": The overhauled IMF lending instruments, together with regional arrangements, have significantly improved our collective capacity to cope with systemic crises. In Europe, our collaboration with the IMF is already well advanced. Further steps towards enhancing cooperation between RFAs and the Fund can be made by fine-tuning the current flexible approach, while preserving the flexibility in the interaction. We therefore propose to change this bullet into: "strengthen the collaboration of the network of regional and cross regional financial safety nets with the IMF."

Monitoring, data and follow-up

Priorities

- The EU puts great emphasis on a strong accountability mechanism. The co-facilitators' text links SDG17 and FfD tracks, which is good. But it does not clearly frame monitoring/accountability in the context of overall post-2015 accountability/monitoring. Evidence of effective implementation comes with progress towards internationally agreed objectives, duly reflected at country level. Therefore we believe that the monitoring of implementation efforts cannot be separated from the monitoring of progress towards the goals. It is crucial that a single monitoring and review framework emerges from the post-2015 and FfD tracks. Parallel and partly overlapping frameworks would create duplication and inefficiencies. The exact architecture and structure of such a single framework should be contained in the post-2015 outcome document, taking into account guidance from Addis.

- Implementation starts at home. Accountability is first and foremost national, to citizens. The text emphasises international accountability and needs to be rebalanced towards the tracking of domestic flows and monitoring of all sources of financial and non-financial support holistically. To understand what has worked and what has not, comprehensive monitoring of both domestic and international actions is needed. This domestic accountability needs to be strongly reflected in the text.

- Strengthened national supreme audit institutions along with other independent oversight institutions will have a key role to play in this regard. Against this backdrop, the UN General Assembly recently adopted a resolution on *Promoting and fostering the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions* (A/C.2/69/L.25/Rev.1). The UN thereby recognised the important role of independent supreme audit institutions in promoting the efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed development goals.

- Country-level data will likely remain the basis for global monitoring. The monitoring framework should allow sound aggregation of such data and ensure comparability across countries. This would in turn provide a solid basis for a genuine system of mutual accountability. We should build on existing data sources and transparency initiatives.

- Critical to accelerate efforts to strengthen national capacity to generate and use data on gender equality and girls' and women's empowerment in order to identify funding gaps, priorities and programmatic impacts (e.g. World Bank Trust Fund for Statistical Capacity Building).

- The quality of data is important and we need more and better monitoring of all financial and non-financial support. Data collection must cover all SDGs and MoI (including trade) as well as all countries in a consistent way. It is important to work with the private sector and big data for the accountability and monitoring. But even more important to constantly strengthen the relevance of implementation actions at country level.

- We need to enable better informed decision-making through broader measures, including indicators going beyond GDP, as recognised in the reports of the Open

Working Group and the UNSG. Well-being and livelihoods in accordance with planetary boundaries are not fully captured by a singular measurement of productivity.

- Addis should – in addition to monitoring – consider the important role of data as an essential input to decision-making, to inform the design of effective policies and interventions. The paper should reinforce the commitment to the data revolution as an important means of implementation in its own right.

- Opportunities from research and technological progress – in particular ICT technologies to exploit large volume of heterogeneous data ('big data') – should be harnessed to improve data availability and quality. Global efforts should be further encouraged to strengthen real time monitoring and disaggregated data gathering, and the integration of socio-economic data with in situ and remote sensing geospatial data such as those produced by the EU Copernicus programme and those made universally accessible via the Global Earth Observation System of Systems (GEOSS).

- The institutions for effective accountability and follow-up need to be streamlined and strengthened. Confusing and overlapping systems dilute the accountability both at national and international levels. The Addis outcome document should make clear recommendations for both and be crafted in a way to feed these recommendations into the single institutional framework for the post-2015 agenda to be agreed at the September Summit.

Building synergies with the post-2015 development agenda and other issues

- There are many international events this year that will lead to a global framework defining our collective priorities for years to come. The succession of, inter alia, the March Sendai Conference, the Addis Conference, the September Post-2015 Summit and the December Paris Climate Conference offers the international community a great opportunity to ensure a coherent international framework for action.

- Coherence starts at home, and we all need to make sure that we take into account all relevant processes. In particular we would welcome a joint session of the post 2015 and FfD processes in April.

- The Addis outcome document shall set the tone for 2015. It should constitute the Means of Implementation and Global Partnership element of the post-2015 agenda. For this, the Addis outcome needs to cover all MoI issues in a balanced and universal manner. Financial means of implementation, effective use of resources, good policies, enabling environment and other non-financial means of implementation need to be given equal weighting. Thus all MoI elements from the OWG report should be integrated in the Addis negotiation in a systematic manner. The new global partnership for the post-2015 agenda will have to be universal.

- The most immediate operational question we have to take a view on is that of the interface between the Addis outcome and the September Summit package. Clarity on that is needed if we are to ensure success in July.

- We need to avoid parallel negotiations on MoI in the Post-2015 track. This both saves time and avoids the risk of the international community taking two different courses on the same issues. A strong Global Partnership is key to the success of the post 2015 agenda.

- Given these synergies between FfD and post-2015, it is also crucial to unify follow up processes. Thus a single accountability, review and monitoring mechanism for all elements of the Post-2015 agenda, and encompassing MoI, needs to be established, avoiding duplication.

- We trust the co-facilitators will work closely with the facilitators of the other processes, and present us with a draft by the end of February that can promote a coherent international framework for action. We would welcome more clarity on next steps in this direction. Likewise, we would be interested to hear of the co-facilitators' plans for ensuring coherence with the preparations of the December Climate COP.