Group of 77 and China preliminary position for the intergovernmental negotiations on the Outcome of the Third International Conference on Financing for Development to be held in Addis Ababa, Ethiopia, 13-16 July 2015.

I. Scope and Structure

1. It is our view that the consideration of any issue, including FfD, in the intergovernmental context, including in the United Nations, is about fostering international cooperation. The group would like to reaffirm the holistic scope of the Monterrey Consensus and the Doha Declaration on Financing for Development. In this regard, the Group's position is to maintain the balance of the Monterrey Consensus and the Doha Declaration as reflected in their structures and should be the basis for the development of the Addis Ababa Outcome Document. In case of expansion, the group would be flexible to reflect on new proposals.

2. The group stresses the need for the Addis Ababa Conference to "reaffirm the principle of common but differentiated responsibilities (CBDR) in the context of global partnership for development.

3. In addition the Group stresses the need to recognise the financial needs of countries in special siutation, including Africa, LDCs, LLDCs, SIDS, countries in conflict, post conflict situations, countries under foreign occupation and the special challenges faced by Middle Income Countries, in the context of financing for development.

II. Possible Linkages and Synergies of the FfD process with other processes.

Means of Implementation in the context of the Post-2015 Development Agenda.

4. UN Member States have agreed that the OWG-SDG report would be the "main basis" of the post-2015 development agenda intergovernmental negotiations as it integrates MOI both as a stand alone goal and also within goals. In this regard, the Group underlines the need for stronger synergies between the Post-2015 Development Agenda and the Third International Conference on Financing for Development.

5. In the context of the linkages, while the focus of the FfD conference should primarily be on its core mandate and scope, as contained in GA resolution 68/204, it should consider specific MOI for SDGs, taking into account and building on the MOI goal and targets as contained in the report of the OWG SDGs and without prejudging or precluding discussions on MOI under the PDA track.

6. It is the Group's view that the FfD process should complement and support the elaboration of the Post-2015 agenda. As such, it should provide a set of tools that will support the implementation of the Post-2015 development agenda. However, FfD

is a separate process and its scope goes beyond merely financing the SDGs. In a similar manner, the post-2015 agenda will draw from the means of implementation contemplated in the FfD outcome in light of its adequacy and relevance towards the implementation of its goals and targets, but this will not exhaust its means of implementation, which go beyond those elaborated by the FfD outcome document.

7. We also call upon developed countries to agree and commit to a new phase of international cooperation through a strengthened and scaled-up global partnership for development, which should be the centerpiece and anchor for both completing the unfinished business of the MDGs and implementing the post-2015 development agenda, taking into account the lessons learnt from the gaps in the implementation of MDG8. The international community should provide enhanced and adequate means of implementation to developing countries, including through quantitative time-bound financing targets besides those established for ODA, debt relief and debt restructuring, trade, technology transfer and greater participation of developing countries in global economic governance.

Climate Change and Climate Finance

8. The Group acknowledges the importance of financing for climate change in the FfD discussion. The FfD process must recognize UNFCCC as the main multilateral platform for discussions on climate finance. In this regard the FfD Conference must acknowledge the urgency of expediting the process of operationalizing the Green Climate Finance Fund under UNFCCC and for its early capitalization, and must call upon developed countries to meet the goal of mobilising $100 billion each year by 2020 to address the needs of developing countries.

9. Climate finance must not be double counted as ODA and therefore must be considered as seperate from and additional to ODA.

10. Climate change should not become a substitute for the environmental pillar in this process. The environmental dimension is much broader in scope and climate change is just one element of it. The FfD Conference must therefore address environmental dimension holistically.

III. Comments on the Elements/building blocks and key deliverables

A. Mobilizing domestic financial resources for development.

11. An attempt to deviate from the structure of the Monterrey and Doha outcomes should be discouraged as it effectively seeks to shift the focus of the Addis Ababa Outcome away from the implementation of existing international commitments on financing for development, towards a greater reliance on domestic resource mobilization. This would dilute the mandate of Monterrey and significantly reduce the level of ambition of the Conference, as compared to its predecessors in Monterrey and Doha, respectively.

12. DRM remains a primary responsibility of national authorities. Equally important, however, is international cooperation to address the need to strengthen tax systems as well as gaps in areas such as illicit financial flows, capital flight and tax evasion, which undermine development efforts and can only be tackled collectively.

13. Policy options for DRM should not be excessively prescriptive, so as to allow adequate policy space to developing countries. Additionally, linkages should be made with the systemic issues, including in international trade, that must be addressed in order to allow for scaled up DRM. The Group recognizes that an effective DRM can be achieved through a sustained, inclusive and equitable economic growth.

Possible action steps forward are:

- Combating base erosion and profit shifting and ensuring that developing countries have a deciding say in the outcomes in the base erosion and profit shifting process;

- Encouraging the development of capital markets to enhance development conducive financial flows;

- Strengthened international cooperation is required to curb illicit financial flows from developing counties. International support for national and regional initiatives to combat and repatriate such illicit flows is urgently needed, including through appropriate reforms of the banking system and through assistance in the recovery and return of stolen assets in the countries of origin consistent with the UN convention against corruption.

- The focus of the FfD Conference must be on generating and mobilizing resources for development and in this regard to strengthen international cooperation in order to assist developing countries. The issue of utilizing national resources for sustainable development is better addressed as part of the substantive sustainable development agenda, not under FfD.

- The Group's view is that policy space and national ownership of developing countries should be acknowledged and prioritized in regard to DRM.

B. Mobilizing international resources for development: foreign direct investment and other private flows.

14. The group emphasizes the primacy of public funding in the context of the FfD process. We also recognize the importance of a dynamic, well-functioning, socially and environmentally responsible private sector as a valuable instrument towards economic growth, eradication of poverty and promoting sustainable development.

15. We are also conscious of the profit seeking nature of the private sector, which, in some cases, may limit its contribution to poverty eradication, good governance, human rights and the environment.

16. Private sector financing is not a substitute for public financing for development, including ODA and financing by the Multilateral Development Banks. It is clear that current private financing and investment patterns will not deliver long-term sustainable development on their own.

17. In addition attracting FDI should also be about its quality. Therefore the group supports the elements paper in its proposal to "Ensure a conducive policy environment for industrial diversification and value addition to commodities."

18. The advantages for developing countries regarding the concept of blended finance are unclear and should further be explained.

19. By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent, bearing in mind that remittances and private savings cannot be considered a substitute for foreign direct investment, official development assistance, debt relief or other public sources of financing for development,

20. With a view to ensuring considerable level of FDI flows to LDCs with maximum development dividends, some concrete global resources are inevitable. Therefore the internacional community should establish a one-step arrangement such as an international investment support Centre dedicated to LDCs.

21. There is urgent need to improve access to adequate, predictable and sustainable financial resources and financial support, including increased concessional financial flows for developing countries.

C. International trade as an engine for development.

22. G77 and China recognizes the needs and challenges of developing countries in regard to trade and calls for the implementation of the principle of special and differential treatment of developing countries, in particular LDCs, LLDCs, SIDS, Africa, countries in post-conflict situations, countries under foreign occupation and middle income countries in trade. The Group is further concerned about trade barriers, unilateral trade actions, trade-distorting subsidies and other trade distorting measures, particularly in sectors of special export interests to developing countries, including in Agriculture.

23. Duty free quota free access initiative could generate significant resources for financing the development of LDCs. Both tariff and non tariff barriers are major challenges for developing countries and LDCs. The Istanbul Programme of Action

has already set a target to doubling the LDC share of global exports by 2020. The Group would therefore like to call for the timely implementation of DFQF access on a lasting basis for all LDCs.

24. We also emphasize the need for policy space to enable our countries to formulate development strategies expressing national interests and differing needs which are not always taken into account by international economic policymaking in the process of integration with the global economy.

25. The Group emphasizes the importance of strengthening regional economic integration and cooperation and interconnectivity.

26. The group proposes that the FFD outcome should include proposals towards conclusion of the Doha Round, including meaningful results in agriculture, increasing market access and Aid for Trade, as important components of measures that will assist developing countries in taking advantage of the opportunities offered by the international trading system, as well as the need for an open, transparent, non discrimatory and fair trading system, also calls for facilitating the accession of the WTO by developing countries and the integration of developing countries SMEs in the global value chaín.

27. The group calls for strengthening the multilateral trading system, and to work towards reducing fragmentation in international trade and investment agreement.

28. Since two-thirds of the WTO membership is developing countries, advancing a more development-friendly multilateral trading system is critical to ensuring that trade opportunities are made available on an equitable basis and new trade rules do not subvert the development financing prospects of developing countries.

D. Increasing international financial and technical cooperation for development

29. It is the group's view that ODA is the main source of development assistance and that developed countries should meet their commitments i.c. the target of 0.7% of GNI and 0.15 to 0.2% of GNI to LDCs. In addition ODA should be increased at least to 1% and the share of ODA to LDCs should be increased as agreed upon in the IPOA. The Group strongly supports the proposal contained in the annex of the elements paper about setting concrete binding time tables for ODA commitments.

30. The group proposes that the unfulfiled ODA commitments on the unfinished MDGs should be carried forward and be estimated in the context of the review of the implementation of the Monterrey Consensus and Doha declaration as a matter of urgency.

31. We agree that ODA should target poverty eradication and its multiple dimensions and that there should be special and differential treatment of Africa, LDC's, LLDC's,

SIDS and other countries and populations in vulnerable situations, countries under foreign occupation, and the special challenges faced by Middle Income Countries. In this regard it concerns the Group that ODA to LDCs has fallen. This trend should be reversed as a matter of priority.

32. The Group emphasizes that the proposal of redefining the parameters and objectives of ODA and its criteria of allocation should be discussed openly and tranparently and agreed upon multilateraly by all member States under the auspices of the UN.

33. The group reiterates that SSC is complementary to North-South Cooperation and voluntary in nature in the context of FfD it should be considered based on the "Nairobi outcome Document of the UN Conference on South-South Cooperation and the importance of the scaling up of the support of the United Nations system to SSC in accordance with decisión 18/1 of the High Level Committee on South-South Cooperation.

Innovative financing for development

34. The Group recognizes the progress in innovative financing for development to mobilize more money from different sources and calls for an effective scaling up of existing innovative initiatives on a voluntary basis. The group also recognizes that innovative financing for development is complementary to and not a substitute for ODA and should be disbursed in acccordance with the priorities of developing countries and should not unduely burden them.

E. External debt.

35. The group prefers titling the chapter external debt instead of sovereign debt, since the latter would ignore the significance of private debt crises, which were mainly responsible for the world financial and economic crises starting in 2008.

36. Thegroup underlines the lack of sustainability of external debt, which can be a main obstacle to development, economic growth and poverty eradication and an impediment to human rights and achieving greater equity and in this regards supports the elements paper stating that sustainable debt financing is an important element for mobilizing resources for growth and development. and in this regard supports traditional and innovative aproaches to promote debt sustainability.

37. In Monterrey, we agreed that debt relief could release resources that can be directed towards activities that promote development, and called on donor countries to ensure that resources for debt relief do not result in the diminishing of ODA. In Doha in 2008 we pledged our commitment to work on an international mechanism for debt renegotiation. At the Conference on the World Financial and Economic Crisis in 2009, we reaffirmed the need to "... explore improved approaches for sovereign debt restructuring."

38. The group concurs with the view that the resolution of sovereign debt crisis is currently governed by a loose set of mechanisms. In this regard the Group welcomes the fact that the Ad Hoc Committee on Debt Restructuring Mechanism started its work on establishing a multilateral legal framework.

F. Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development

39. The outcome document should recognize the critical and enabling nature of systemic issues for sustainable development, as opposed to ascribing it a merely supportive role.

40. We also would like to call your attention to the fact that regulatory financial reforms are important to avert future crisis similar to the 2008 world financial crisis triggered in the developed economies which even today has adverse effects on small and developing economies of the South in particular we recognize the importance of enhancing supervision and regulation of under regulated financial markets and institutions such as shadow banking and too-big to fail institutions.

41. We stress the need to limit financial regulatory reliance on credit rating agencies and increase competition among those agencies.

42. We stress the need to remove obstacles to capital account management and regulations, including in trade and investments agreements.

43. We support the co-facilitators proposal to systemically issue SDR´s with a development dimension in the allocation.

44. The Group welcomes the recognition of the need for urgent reform of the global financial and ecomomic governance structures. The Group calls for the immediate entry into force of the 2010 IMF Governance and Quota Reform, as well as the commitment to further advance a more comprehensive reform process of IFIs.

45. The Group re-commits to push for redress of the democratic deficit in global economic governance and provide developing countries in a timely manner their rightful place and participation by strengthening their voice in the governance and decision-making of all the institutions and forums where discussions and decisions are taken on global economic and financial issues and to eliminate all types of conditionalities tied to aid.

46. The Group urges to ensure that IMF provides more comprehensive and flexible financial responses to the needs of developing countries, without imposing pro-cyclical conditionalities and respecting their need for adequate policy space.

47. The Group believes that selection processes for senior leaders of the IFIs should observe gender and merit-based, open, democratic, and transparent criteria, as well as the principle of balanced geographical representation.

48. We support the proposal in the Elements paper of upgrading the UN tax body into an intergovernmental body.

49. Taking measures to avoid spill-over effects of global financial crises to developing countries

G. Other challenges and emerging issues: Technoloy, Innovation and Capacity building; Monitoring, Data and Follow-up.

Technology

50. We recognize that *technology, innovation and capacity building* are key drivers in the eradication of poverty. However disparities between the developed and the developing nations on these elements are so immense thaany possibility of an attempt to close them will be gladly welcomed by the Group of 77 and China. We welcome the establishment of a technology facilitation mechanism to promote the development, transfer and dissemination of clean and environmentally sound technologies to developing countries on concessional and preferential terms, to support the achievement of SDGs, and in this regard we propose that this will be based on the outcome of the 4 days structured dialogue as highlighted in resolution 68/310.

51. The Group believes the outcome document should make a reference to the importance of ICTs, particularly the internet, as cross-cutting enablers of sustainable development. Commitments should be made by developed countries to provide technical assistance for capacity building in ICTs and to promote increased access to the internet in order to bridge the digital divide.

52. In regard to technology development and transfer we recognize the challenges of Intellectual property rights and necesity of policy space. In this regard G77 observes that the fact that public funding and support is critical, in particular in earlier stages of technology cycle, because of risks, that this provides an opportunity to explore possibilities for co-ownership and sharing of thechnology.

53. The Group recalls the decision to take the following actions:

- An innovation funds to support innovative enterprises in the early stages and during commercialization stage of the technology.
- A facilitation mechanism to promote the development, transfer and dissemination of clean and environmentally sound technologies to developing countries on concessional and preferential terms.
- An online platform to map existing technology facilitation initiatives, enhance international cooperation and promote networking and information sharing, knowledge transfer and technical assistance.
- Fully operationalize the Technology Bank for the LDCs by 2017.
- A universal broadband policy for LLDCs.
- The promotion of effective, transparent, accountable and reliable public-private partnerships.
- Reinforce multistakeholder partnerships for technology and transfer.

Capacity-building

54. The Group emphasizes the need for enhanced capacity building for sustainable development and, in this regard, we call for the strengthening of technical and scientific cooperation, including North-South, South-South and triangular cooperation. It could be reiterated that the importance of human resource development, including training, the exchange of experiences and expertise, knowledge transfer and technical assistance for capacity-building, which involves strengthening institutional capacity, including planning, management and monitoring capacities. (Para 277 Rio+20).

55. It is critical to reinforce national efforts in capacity-building in developing countries in such areas as institutional infrastructure, human resource development, public finance, mortgage finance, financial regulation and supervision, basic education in particular, public administration, social and gender budget policies, early warning and crisis prevention, and debt management. In that regard, particular attention is required to address the special needs of Africa, the least developed countries, small island developing states, landlocked developing countries, countries in conflict, post-conflict countries, countries under foreign occupation and middle-income countries.

Monitoring, Data and follow-up

56. We support creating adequate follow-up mechanisms for monitoring progress and holding stakeholders accountable in the implementation of commitments to be agreed upon by Member States, including the private sector. The complexity of the task and the long-term commitments involved recommend formal follow-up mechanisms and institutions.

57. We believe in the necesity of recognition for better approaches for measuring development that go beyond the use of per capita income criteria.

58. It is the Group’s view that the Addis Ababa Conference should prioritize follow-up and monitoring of its outcome. The group suggests that the HLPF and the mechanisms under the GA should be examined among the options for monitoring FfD commitments, and the complementarity and integration of the FfD follow up mechanisms with other related processes, such as the Post 2015 development agenda.

59. The Group’s view is that the proposal in the elements paper to set up a dedicated intergovernmental or expert body, inclusive of institutional stakeholders, to monitor FfD commitments at the global level needs further consideration.

60. Further consideration is also necessary for the proposal to strengthen the regional components of the follow-up process, through Regional Commissions, development banks and other relevant stakeholders.