



## EUROPEAN UNION

Delegation to the United Nations

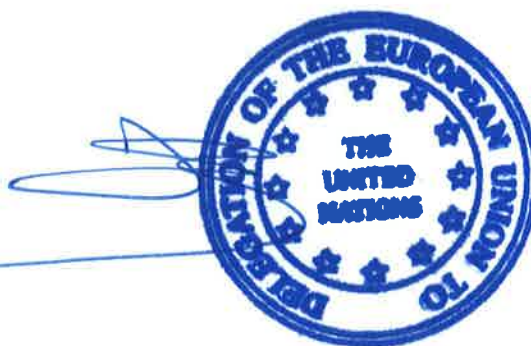
NV(2016) 104

The Delegation of the European Union to the United Nations presents its compliments to the United Nations Secretariat (Department of Economic and Social Affairs – Financing for Development Office) and has the honour to send in the attachment views of the European Union and its Member States as invited in Secretariat's Note DESA-16/00666 of 24 June 2016 in relation to the preparation of the Secretary General's report mandated in General Assembly resolution 67/289 of 9 July 2013 "The United Nations in global economic governance".

The European Union Delegation to the United Nations avails itself of this opportunity to renew to the Secretariat (Department of Economic and Social Affairs – Financing for Development Office) the assurances of its highest consideration.

New York, 31 August 2016

Department of Economic and Social Affairs  
Financing for Development Office  
Two United Nations Plaza  
Room: DC2-2170  
New York, NY 10017  
E-mail: [ffdoffice@un.org](mailto:ffdoffice@un.org)





**Input of the European Union and its Member States to  
Secretary General Report on the "United Nations in global economic governance"**

**1. Introduction**

"Without global norms and the means to enforce them, peace and security, prosperity and democracy – our vital interests – are at risk. Guided by the values on which it is founded, the EU is committed to a global order based on international law, including the principles of the UN Charter, which ensure peace, human rights, sustainable development and lasting access to the global commons. This commitment translates into an aspiration to transform rather than simply preserve the existing system. The EU will strive for a strong UN as the bedrock of the multilateral rules-based order, and develop globally coordinated responses with international and regional organisations, states and non-state actors. " (EU Global Strategy, June 2016)

The European Union has been a firm promoter of effective multilateralism and a decided supporter of the fundamental role of the UN system in global governance. The Treaty of Lisbon enshrined in Article 21 of the Treaty on European Union the objective to "promote multilateral solutions to common problems, in particular in the framework of the United Nations".

While we do believe that the current global economic governance architecture strikes the right balance between legitimacy and effectiveness, we consider that in light of the adoption in 2015 of the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and the Paris Climate Agreement, it is time to look forward to new synergies and discourse between the various relevant actors for stronger global economic governance.

Implementing these agreements requires an effective international institutional system, building on and developing existing structures and processes, and stronger financial and economic cooperation. The EU and its Member States will contribute to improving regional and global cooperation, and work to ensure that multilateral institutions operate coherently and complement each other, addressing synergies and policy links wherever possible.

## 2. Relevance of global economic governance for implementing Agenda 2030 and the AAAA

The integrated nature of the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda on Financing for Development requires that its implementation is supported by a UN that steps up its efforts to delivering integrated and coordinated policy support (notably through the UN Development System). We need a UN Development System that works in a more integrated fashion, with strengthened inter-agency work, joint policy teams, joint programming, joint implementation of programmes, together "delivering as one". The EU considers policy coherence to be a central component for an effective implementation of the 2030 Agenda and Addis Ababa Action Agenda. The comprehensive approach of the two agendas require that policy areas are operating in an aligned mode to advance the implementation and to avoid activities contra productive to their objectives.

The upcoming Quadrennial Comprehensive Policy Review (QCPR) will be essential in this regard and a profound reform should be sought.

International Financial Institutions (IFIs) and multilateral and bilateral development banks are critical actors for reaching the SDGs. They are important for providing targeted development finance as well as financing for the provision of global public goods, including through supporting the transition to low-carbon economies and should further develop their instruments to leverage private finance and mitigate risks while ensuring to direct additional finance to SDGs within their respective mandates. IFIs should intensify support for good governance, including transparent and fair tax systems and the fight against illicit financial flows. Environmental and social safeguards will be crucial in all IFI operations in particular when developing sustainable infrastructure and IFIs should take a leading role in it. The EU welcomes the announced IFI's support for the implementation of the 2030 agenda<sup>1</sup> and underlines the importance of a continued close institutional cooperation with the UN System. The Special High Level Meeting between ECOSOC and the Bretton Woods Institutions in the context of the annual Financing for Development Follow-up Forum of the Addis Ababa Action Agenda provides an important venue for strengthening this cooperation."

A more efficient functioning of UN General Assembly (UNGA) main committees, as well as other UN bodies should also be addressed. Collectively, we all have a role in enhancing the efficiency, effectiveness, transparency, accountability and representativeness of the whole UN system.

These reforms will have to address new challenges and opportunities while reprioritising within the system. The EU welcomes all proposals in order to guarantee that the UN is fit for purpose and can deliver flexible, effective and efficient solutions for the pressing issues of our time.

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<sup>1</sup> World Bank / IMF Spring Meetings April 2015: Development Committee communiqué.

### **3. The global economic governance framework**

As the world's largest economy, the EU is a prime mover in global trade and investment, areas in which rules can be deepened further. Our prosperity hinges on an open and rules-based economic system with a true level playing field, which our economic diplomacy will further promote. We will pursue comprehensive free trade agreements with the US, Japan, Mercosur, India, ASEAN and others as building blocks of global free trade. Ambitious agreements built on mutual benefits such as TTIP and CETA can promote international regulatory standards, consumer protection, as well as labour, environmental, health and safety norms. New generation trade agreements which include services, the digital economy, energy and raw materials can reduce legal fragmentation and barriers, and regulate access to natural resources. The EU will ensure that all its trade agreements are pursued in a manner that supports returning the World Trade Organisation (WTO) to the centre of global negotiations.

The global financial crisis led to a strengthening of the constituent parts of global economic governance in terms of both efficiency and legitimacy. New international actors emerged with the G20 as an informal grouping proving to have effective convening power for economic policy coordination. The EU has strongly supported and encouraged successive G20 Presidencies to continue dialogue and outreach activities with the UN system. In this respect we commend the current Chinese Presidency who has as one of their main priorities the G20's contribution to the implementation of the 2030 Agenda for Sustainable Development with an Action Plan to be endorsed by G20 Leaders in Hangzhou on 4-5 September 2016.

G20 Presidencies invite contributions from international organisations (IOs), including the UN as appropriate, according to the IOs' specific areas of expertise and fully respecting their mandates and decision-making processes. The EU has strongly supported and encouraged inclusiveness, for instance in the G20 work on tax transparency so that the specific challenges faced by developing countries are addressed. A total of 101 jurisdictions are now committed to automatic exchange of financial account information, and work intensively with the Global Forum and the OECD. The broad membership of the G20/OECD Inclusive Framework on BEPS (Base Erosion and Profit Shifting), in which 83 countries and jurisdictions currently participate, is another good example of this approach to global economic governance where developing countries participate in equal footing so as to benefit from global action. In parallel the EU has encouraged and also directly supports several initiatives to build capacity in developing countries, including the Addis Tax Initiative and the new Platform for Collaboration on Taxation by the IMF, OECD, UN and WBG.

Financial market turbulence and potential vulnerabilities highlight the importance of resilient financial systems in the global economy. Since its establishment in 2009, the Financial Stability Board (FSB) acts as an important coordinating body to strengthen global financial stability.

Through its regional consultative groups the FSB reaches out to a wide range of emerging market and developing economies.

The global economic governance has thus become multifaceted, reflecting the complexity of the issues involved in an interconnected world. The UN's relevance in global economic governance will depend on its ability to effectively cooperate with an evolving set of economic actors.

The global economic recovery continues but remains weak. It is also widely recognized that the benefits of growth need to be inclusive, more broadly shared both within and among countries. The EU considers that investment must play a stronger role in the recovery in the EU and other advanced economies as well as in developing countries, bearing in mind also the need of improving the quality and sustainability of investment. This has brought to the forefront the work on financing for investment. The EU strongly supports a wider use of financial instruments within the EU but also in its external action. The mobilisation of private investment will be critical for mobilising the resources needed for financing the SDGs.

In promoting sound and sustainable financing practises, we can see potential for stronger synergies between all actors in global economic governance, building on the Addis Ababa Action Agenda. Fostering dialogue between creditors and debtors is essential for forging a shared view on vulnerabilities and cooperative approaches to bolster trust and facilitate an early identification of potential distress. The IMF and the Paris Forum have successfully facilitated such a dialogue between sovereign lenders and sovereign borrowers. Progress is being made on several issues. Unfortunately, at the UN the opportunity to join global action on a consensual basis was lost and trust needs to be rebuilt going forward. The EU stands ready to contribute to fostering such dialogue on all relevant fora.

In the wake of the global financial crisis, the governance structure of the IMF was reformed and its resources increased. The 2010 Quota and Governance Reforms represent a major achievement in enhancing the credibility, legitimacy and effectiveness of the IMF. We look forward to the completion of the 15<sup>th</sup> General Review of Quotas, including a new quota formula, by the 2017 Annual Meetings. Any realignment under the 15<sup>th</sup> Review in quota shares is expected to result in increased shares for dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole, while protecting the voting share of the poorest. We also support the implementation of the World Bank Group's shareholding review, according to the agreed roadmap and principles.

The EU strongly supports continued dialogue between the UN and the Bretton Woods Institutions.

#### 4. EU activities to implement major UN accords from 2015

The EU and its Member States are determined to play our full part in implementing the 2030 Agenda and the Addis Ababa Action Agenda on Financing for Development. Fully exploiting the synergies with the Paris Agreement with its clear post-2020 vision for the global community, long term goals and binding contributions by all Countries will be an important driver and key element towards achieving the broader 2030 Agenda.

We are already making concrete contributions, with our new initiative on the circular economy, the EU Energy Union, the 2030 climate and energy framework, the follow-up to, a reformed Common Fisheries Policy, the European pillar of social rights, our activities on Corporate Social Responsibility for example along global supply chains, our strategic frameworks for gender equality actions in internal and external policies, and with our external assistance programmes – placing emphasis on policy coherence.

The European Commission will put forward later in the course of 2016 year an overarching initiative mapping out how the EU will contribute to implementing the SDGs through our internal and external action. We will also present a proposal for a new European Consensus on Development, outlining how the EU and its Member States can respond to global challenges and the 2030 Agenda through our development policy. The process to revise the EU development policy is to be as inclusive as possible. The European Commission has therefore launched a broad public consultation, inviting all to contribute their views, from Member States, partner countries, international organisations, civil society and the private sector.

We will continue to work closely with our partners – especially those most in need. We have collectively committed to the target of 0.7% of gross national income (GNI) as Official Development Assistance (ODA), and provide duty free and quota free market access to least developed countries. We seek innovative forms of cooperation with our many, varied partners around the world, including through development assistance, reinforced cooperation with the private sector, political dialogue and mutual lesson-learning.

The 2030 Agenda calls on each and every one of us to change our way of work for the better. This includes institutional change and improved coordination within the UN system. It is a challenge for us all, but also a tremendous opportunity. The EU and its Member States are determined to take this great journey to the very end, together with all partners.

The EU has already **taken important steps to implement the AAAA and the 2030 Agenda**. In particular:

##### **The EU will put greater emphasis on domestic resource mobilisation and management**

- Domestic public finance should be at the heart of all countries efforts. The EU and its Member states will therefore apply a “Collect More – Spend Better” approach and support

developing countries' efforts through avoiding negative spillover effect of EU policies and through strong global partnerships. The EU will work together on improving domestic revenue mobilisation and public expenditure management, by focusing in particular on a fair, transparent, efficient and effective tax system and public expenditure framework.

- The EU will invest EUR 42 million in a flagship Domestic Resource Mobilisation (DRM) programme to boost developing countries' capacity to generate own revenue, and tackle tax evasion, tax avoidance and illicit financial flows. The Commission has been actively promoting the involvement of developing countries in international tax fora, and will continue its support to the UN Committee of Experts on International Cooperation in Tax Matters (UN Tax Committee).
- The EU strongly supports international efforts to curb tax evasion and avoidance, and welcomes their international prominence given also in the Addis Tax Initiative (ATI). The European Commission has been co-founder of the ATI and is a member of the ATI Steering Board. The EU has jointly committed to double the support in the area of domestic revenue mobilisation and to ensure efficient, effective, fair and transparent tax systems worldwide. A good sign, that more than 40 developed and developing countries, regional and international organisations have already signed ATI.

#### **The EU will seek further partnership with the private sector**

- Substantial investments are required in our partner countries in order to improve their people's living conditions and address climate change, but the available funds are far from sufficient to cover all these needs. In this context, ODA shall be used in a strategic way in order to help mobilize additional financing – also from the private sector- in order to bring further resources to our partner countries. This is the idea behind EU blending.
- Since the creation of the first EU blending Facilities in 2007, EUR 2.7 billion grants have been used to make more than EUR 50 billion of total investments possible in fields of energy, transport and water infrastructure, support Small and Medium Enterprises, social sectors or environment.
- This successful experience is due to the good cooperation and strong partnership established between the European Commission, the European Investment Bank and the other partner finance institutions, which participate in the EU blending framework.
- It is crucial to deepen our joint cooperation in order to increase further the impact of our common projects in climate change targets, the SDGs and how to address the root causes of migration.
- The European Commission intends to increase the financing for EU blending with a stronger involvement of the private sector in development finance also via greater recourse to innovative financial instruments - guarantees, equity, other risk-sharing instruments – which



can help unlock the catalytic potential of blending for crowding in more private financing also for climate finance.

#### **European External Investment Plan focusing on developing countries**

- The EU and its Member States will approach the 2030 Agenda also as a framework for investment to achieve the SDGs. Building on the successful model of the European Investment Plan the EU intends to launch an ambitious External Investment Plan for facilitating investments in our partner countries to address specific bottlenecks to investment. The Investment Plan will also help addressing the root causes of migration by developing bankable and good quality projects through EU technical assistance, and offer tools to mobilize private investments, while help improving the business environment in the countries concerned.
- By stimulating economic and social development, the EU can help countries foster growth and employment to their people at home. A starting point of this external plan will be instruments to address the long-term challenges and the root causes of migration by addressing bottlenecks to investment in small and medium-sized enterprises and sustainable infrastructure. The Commission will work closely with all the relevant stakeholders in order to design the External Investment Plan.
- The EU, Member States, third countries, International Financial Institutions, European bilateral development institutions, as well as the private sector, should all stand together and join efforts.

#### **Official Development Assistance will remain vitally important – EU remains committed**

- The EU will support our partners – especially those most in need – to implement the SDGs. ODA will continue to play an important and often catalytic role. The EU and its Member States continue to be the world's largest provider of ODA. The EU collectively provides more ODA than all other donors combined. In 2015 EU and Member States ODA reached EUR 68 billion, a 15% increase from 2014.
- The EU and its Member States have taken a particularly ambitious commitment to provide the UN 0.7% of Gross National Income as official development assistance within the timeframe of the new Agenda. The EU has a specific new commitment towards least developed countries (0.15-0.20% to LDCs in the short-term, 0.20% within the timeframe of the Agenda). In view of the experience with MDGs and current global trends, fragile countries will require specific efforts so that they are not left behind.

#### **Trade – EU to remain the world's most open market, importing EUR 860 billion annually from developing countries**

- The EU provides duty free and quota free market access to LDCs, with total LDCs exports to the EU currently worth over EUR 35 billion annually.

- The EU will continue to provide duty free and quota free market access to LDCs, with benefits estimated annually to 12% of total exports' value, and will continue to improve access to Aid for Trade for LDCs.

#### **Science, technology and innovation**

- The EU welcomes the First annual Multi-stakeholder Forum on Science, Technology and Innovation for the Sustainable Development Goals (STI Forum) held in June 6th and 7th 2016 to discuss science, technology and innovation cooperation around thematic areas for the implementation of the sustainable development goals, congregating all relevant stakeholders to actively contribute in their area of expertise, as part of the Technology Facilitation Mechanism mandated by the 2030 Agenda and the Addis Ababa Action Agenda.
- Horizon 2020 – the EU Framework Programme for Research and Innovation is expected to contribute at least 60% of its agreed budget of EUR 77 billion to sustainable development, and 35% to climate action and is fully open to the participation of researchers from developing countries.

## **5. Summary**

Without global norms and the means to enforce them, peace and security, prosperity and democracy – our vital interests – are at risk. Guided by the values on which it is founded, the EU is committed to a global order based on international law, including the principles of the UN Charter, which ensure peace, human rights, sustainable development and lasting access to the global commons. While we do believe that the current global economic governance architecture strikes the right balance between legitimacy and effectiveness, we consider that in light of the adoption in 2015 of the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and the Paris Climate Agreement, it is time to look forward to new synergies and discourse between the various relevant actors for stronger global economic governance.

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The EU and its Member States are determined to play our full part in implementing the 2030 Agenda and the Addis Ababa Action Agenda on Financing for Development and important steps have already been taken. Fully exploiting the synergies with the Paris Agreement with its clear post-2020 vision for the global community, long term goals and binding contributions by all Countries will be an important driver and key element towards achieving the broader 2030 Agenda.

#### Links to relevant documents

- EU Global Strategy <http://europa.eu/globalstrategy/>
- DG DEVCO [http://ec.europa.eu/europeaid/policies/european-development-policy/2030-agenda-sustainable-development\\_en](http://ec.europa.eu/europeaid/policies/european-development-policy/2030-agenda-sustainable-development_en)
- DG CLIMA [http://ec.europa.eu/clima/news/articles/news\\_2016072001\\_en.htm](http://ec.europa.eu/clima/news/articles/news_2016072001_en.htm)

