



EU and Member States' preliminary comments on the advance draft 2017 report of the Inter-Agency Task Force (IATF) on Financing for Development

Overall Comments

We are grateful to the IATF for this largely robust and well evidenced report and look forward to the online annex becoming available. We believe that the IATF report will be a solid base for discussion on the wide-range of issues covered in the Addis Ababa Action Agenda (AAAA) at the ECOSOC Forum on Financing for Development (FFD) Follow-up in May 2017. The report strikes a generally balanced tone, is usefully factual, supports the narrative of the AAAA and draws on a number of concrete examples to illustrate the points being made.

The report is usefully clear that the AAAA provides a framework for supporting the Sustainable Development Goals (SDGs) and that a mix of financial means from a range of sources will be needed. The strong emphasis on national-level implementation and ownership is appropriate as this reflects the conclusions in the AAAA.

However, the report is overall too financing-centric. The relationships between the AAAA and the 2030 Agenda in the introduction could be clearer. The Report could have restated the fact that the AAAA *'is an integral part of the 2030 Agenda for Sustainable Development, supports and complements it and helps to contextualize its means of implementation targets with concrete policies and actions'* as stated in the outcome document from the last FFD Forum. The AAAA is a central part of the 2030 Agenda Means of Implementation (Mol) and together with SDG17 and the Mol targets in the individual SDGs it captures the full spectrum of Mol. The report could have underlined at the outset that financial, non-financial, public and private means are needed to fulfil the ambitious SDGs. The non-financial means of implementation, as recommended in the AAAA, could have been explored in more detail.

The recommendations could have been aimed at all stakeholders given the importance of the full range of Means of Implementation and stakeholders in the AAAA and Agenda 2030. There is a tendency for conclusions and recommendations in the report to focus more on public action and - within that - to focus on global public action and processes. Recommendations for e.g. the private sector, philanthropists and civil society that reflect the need to build global partnerships could have been stronger and the need for dialog and trust building between the public and private sphere reflected in the full report.

Proposals in the report for new platforms/groups/forums to be established in the UN system should have clearly identified their value-added over existing fora, for example those led by the MDBs or other international organisations and groups.

In terms of format, we welcome the initiative to include a 'note from the Secretary General', a short 'key messages and recommendations summary note' as well as an 'executive summary' in the main report and 'introductory sections' setting out the key messages and recommendations in each Chapter of the report itself. However, the operative text across these documents is largely identical, and this has led to significant repetition. We encourage UN colleagues to consider how these various products could be rationalised.

The comments below are initial reactions on each of the main chapters:

Chapter I. The Challenge of the Global Economic Situation

- Overall this section usefully highlights the global backdrop to the delivery of the Addis Agenda. It is largely factual and there are no recommendations in this chapter.
- It is very focused on global issues (as its title implies). However, this framing chapter could usefully be broadened to also cover some commentary about the challenges for implementation at the national level.

Chapter II. Thematic Chapter: Investment and protection

- We welcome the inclusion of a 'thematic' chapter and the focus on investment and social protection issues in this chapter.
- The report recommends that the United Nations could be a platform for sharing of experiences in regional and global fora. In such circumstances identifying the UN's added value in relation to what e.g. MDB's are already doing will be important. Joint work by MDBs could be further encouraged instead (as the G20 is already doing).
- The IMF, WB, and the OECD have done a lot of technical work to address the implementation of PPPs and blended finance and this work is focused on finding good practices and giving guidance and these efforts should in our view be supported, not duplicated by UN engagement in this area.
- The reference to counter-cyclical financing and state-contingent debt instruments does not seem relevant in the context of this Chapter. These instruments are discussed in the debt sustainability chapter where the conclusions on them are mixed.
- The added value of *"... an inventory of instruments, including existing quick-disbursing international facilities, and requirements for accessing them seems warranted at this time"* could have been further set out.

Chapter III.A. Domestic public resources

- This chapter is in overall terms balanced. However, it is not really clear as to what it serves for (objectives) and therefore the conclusions are very short and thin. The chapter does not sufficiently quantify progress in DRM/DPR across the various DRM dimensions. Hence, it falls a bit short of targeted recommendations and potential gaps. The IMF is very strongly referenced, along with all its tools and programmes.
- The key messages and recommendations are very focused on what 'donors' should do but with no mention of political commitments by developing countries to reforms, or to the political economy challenges that often create challenges for the support and implementation of DRM reforms.

- In the section on natural resources a reference to the role of the Extractive Industries Transparency Initiative (EITI) could have been usefully included.
- On exchange of tax information, we could highlight that as a next step the European Union is working towards making beneficial ownership registries fully public and interconnected between European Union Member States.
- A reference to the EU's DRM activities, such as the 'collect more spend better approach' would have provided a concrete example of international action to support DRM.
- The exact AAAA phrasing could have been used regarding the United Nations Committee of Experts on International Cooperation in Tax Matters. It could have been mentioned that the Addis Agenda includes a commitment to strengthen *the effectiveness and operational capacity* of this Committee.

Chapter III.B. Domestic and International Private Business and Finance

- Overall, we welcome the analysis in this section, which we think is a useful contribution and underlines the important role that the private sector can play, in particular in bringing innovation to solving sustainable development challenges. More emphasis could have been placed on the role of the private sector in developing new entrepreneurship models – such as social and inclusive models – and devoting them to achieve the SDGs.
- It also rightly highlights some of the challenges to ensuring that private sector investment and growth happens in a way that supports sustainable development. The report could have been clearer that when discussing incentives for investment, it is important to ensure that market distortions are avoided.
- It will also be important to ensure that the proposed mapping exercise of priority investment areas contained within national development strategies, and the use of the Forum as a platform for building solutions on sustainable financial market development, complement efforts elsewhere in the international system.
- The reference to Solvency II in the European Union places too much emphasis on just one jurisdiction.

Chapter III.C. International Development Cooperation

- This section provides a useful contribution to the debate on deepening and broadening international development co-operation.
- The clear recommendation to focus more ODA to support to LDCs is welcome and is a priority for the EU.
- The chapter implies a false distinction between international development cooperation and south-south cooperation. The recommendations on e.g. development effectiveness and national development cooperation policies should have explicitly covered North-South and South-South cooperation. Likewise, there could also have been a greater emphasis on the need to ensure the greater transparency of all flows to help enhance accountability. In this respect a reference to the GPEDC progress Report on Development Effectiveness would be useful.
- The report should have said more about using ODA appropriately, strategically and in a complementary way, in the context of available resources from other sources. It should have emphasized more the catalytic effect of ODA to catch financial and non-financial flows.

- Spending on refugee costs and humanitarian financing counts- within the strict ODA rules- as ODA eligible and represents a real transfer of support and assistance to people in need. The in-donor refugee costs situation is strictly time-bound as such costs are eligible as ODA only for a 12 month period. This is not about diluting ODA: the EU and its Member States are global leaders in providing ODA, with consistently growing levels of ODA and there was growth in ODA in 2015 even when in-donor refugee costs were excluded.
- We agree with the importance attached to blended finance in the report, and in particular we welcome the references to the proposed EU Fund for Sustainable Development and the relevance attached to adequate ODA accounting.
- The report could have advocated more for innovative financial sector mechanisms from and citizens' contributions (crowdfunding, for example).
- Although the text is right to point to some risks in combining commercial and sustainable development objectives, we think the tone on blending should have been more positive. We would hope to see more recognition of its huge potential, which is why it is a major component of the EU's proposed External Investment Plan. The term "subsidize" used in this section is misleading, and should be replaced by "support".
- We think the scope of the recommendation to change thresholds for securing 'concessional' finance as countries graduate mischaracterises the challenge. The rationale for flexibility and the need for more rounded graduation criteria to address vulnerabilities are well understood, but in many emerging economy contexts this finance doesn't always need to be fully concessional. The objective is to achieve the right mix of financial support for any given country situation: cooperation needs to evolve to act in the best way within the overall resource environments of the countries concerned. This means more overlap - and synergies - with other resources. It also means new ways of cooperating and adapting 'traditional' definitions and modalities. The report should have better recognised this.
- The report could also have been more neutral on Total Official Support for Sustainable Development (TOSSD). As discussions on TOSSD are still ongoing, the report could have been more balanced on the measure, also highlighting the potential it has to provide valuable new insights into the development financing landscape.

Chapter III.D. International Trade as an Engine for Development

- Overall the key messages and recommendations in this chapter seem constructive. However, it is basically a quantitative description of recent evolutions, so there is no real analysis of problems. As a consequence, the recommendations are already reflected in the AAAA.
- In terms of illustrative examples, EU actions can provide some good examples of progressive trade policies benefitting developing countries:
http://ec.europa.eu/europeaid/policies/european-development-policy/policy-analysis_en
- Better alignment of aid for trade portfolios with trade policy and rule-making is necessary to enable trade even more with the catalyst funds of development cooperation. Meeting the standards for international trade means breaking down technical barriers to trade through quality infrastructure development. The demand to comply with quality standards and technical regulations of exports markets and increasingly also social as well as environmental standards remains a challenge to SMEs looking to enter global value chains. Where the basic

support system for ensuring and complying with these requirements is not available, they constitute significant technical barriers to trading.

Chapter III.E. Debt and Debt Sustainability

- In relation to the proposed UN platform for debtor-creditor engagement between sovereign and private creditors, we wish to underline the importance of coherence with other initiatives: the Paris Forum and the IMF are already recognised as providing fora for such debtor-creditor dialogue.
- The conclusion that a case can be made for public creditors to increase the use of state-contingent instruments in their lending seems premature as there is still limited experience on these instruments, as acknowledged in this chapter of the report.
- We don't believe the conclusion that *'Concerns remain both over the efficiency and equity of these solutions'* is in line with the factual analysis offered in the report and risks re-opening old, unhelpful, discussions on debt issues.

Chapter III.F. Addressing systemic issues

- Overall this section seems factual and provides some useful analysis.
- It is important that the recommendation for *'Periodic processes to examine governance structures at global and regional organisations, with the goal of strengthening the voice of developing countries, would help meet commitments'* is done with respect to the mandates and governance structures of these organisations.

Chapter III.G. Science, technology, innovation and capacity building

- The Chapter starts with a focus on the importance of technology and technology *transfer*. Whilst the definition is broadened in the second paragraph, this initial emphasis is too strong. We would encourage a broader, more sustainable focus, including also science, technology and innovation, with an emphasis on *co-development, capacity building and exchange of experiences*.
- In this respect there are some useful EU initiatives that could provide concrete examples of work in this area:
 - At the international level, reference is made to ODA for support to research and development only, whilst the EU for example has the world's biggest research and innovation program that funds collaborative research and innovation in which researchers and innovators from Europe and developing countries collaborate (Horizon 2020).
 - Through the EU's pan-African program, the EU is supporting the African Union Commission to build its own Research and Innovation program.
 - The EU's is providing support to the EUR 2 billion European & Developing Countries Clinical Trials Partnership program which creates partnerships on clinical trials on vaccines against HIV, Malaria, Tuberculosis.

Chapter IV. Data monitoring and follow-up

- Overall this section rightly highlights the challenges and data gaps that exist for monitoring the commitments in the AAAA- and we welcome that analysis.

- We also welcome the work of the task-force to identify and close those reporting gaps. We underline our long-standing position that there should be no separate monitoring framework for the AAAA. The IATF report should be based on the existing framework for monitoring the SDGs (especially SDG 17) and should take into account additional data and information, where available and useful, to take better account of the AAAA , where needed.
- We believe that further developing and implementing the TOSSD measurement could make a useful contribution to helping to identify the full breadth of official flows and those flows mobilised by official financing.