

Distr.: General  
15 July 2015

English only



## Third International Conference on Financing for Development

Addis Ababa, 13-16 July 2015

Agenda item 9

**Multi-stakeholder round tables**

### **Round table 2: Ensuring policy coherence and an enabling environment at all levels for sustainable development**

#### **Summary of discussion**

The round table was co-chaired by the Minister for Financial Markets and Consumer Affairs of Sweden, Per Bolund, and the Vice-Minister of Finance of Colombia, Andres Escobar. The Deputy Managing Director of the International Monetary Fund, Zhu Min, moderated the panel. Presentations were made by the following panellists: the Director-General of the International Labour Organization, Guy Ryder; the Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), Phumzile Mlambo-Ngcuka; University Professor at Columbia University, Joseph Stiglitz; and the former President of South Africa and Chair of the High-level Panel on Illicit Financial Flows from Africa, African Union and Economic Commission for Africa, Thabo Mbeki. The Chair of the Committee for Development Policy and Co-President of the Initiative for Policy Dialogue, José Antonio Ocampo, and the Deputy General-Secretary of the International Trade Union Confederation, Wellington Chibebe, served as discussants.

The co-chairs introduced the topics to be discussed. Mr. Bolund highlighted the uneven growth of the global economy and the impact of volatile capital flows. He stressed the importance of gender equality for improving growth potential and redressing poverty. Mr. Escobar stressed that the sustainable development goals would be much broader than the Millennium Development Goals. As a consequence, their means of implementation would be higher than current financing patterns. He emphasized the need to address infrastructure financing and regulatory gaps and to deal with the instability in the global macroeconomic environment.

Mr. Zhu pointed out that the understanding of policy coherence and enabling environment had changed over time, encompassing a greater number of actors and issues. He argued that coherence at the national level was no longer restricted to fiscal and monetary policies, but also covered employment, gender and environmental and other social policies. Mr. Min then extended this to the international level, where trade, economic and financial policies should be coherent with social and environmental policies.



Mr. Ryder stressed the importance of coherence in labour market and social policies with economic and financial policies. As countries worked to repair the world economy and reform the financial system after the 2008 financial crisis, it was important to ensure full and productive employment and decent work. He called for policies to deal with the very high unemployment rate and argued for social protection floors. He further explained that greater employment creates a virtuous circle of rising income, savings and investment such that employment is both the means and end for sustainable development. To create more jobs, he urged the promotion of micro, small and medium-sized enterprises, as well as investment in decent work. In his view, finance and work were a key partnership for sustainable development. New policy guidelines were needed for the new agenda for sustainable development.

Ms. Mlambo-Ngcuka opened her presentation noting that even after 20 years of the Beijing Platform for Action, there were significant financing gaps in addressing gender equality and commitments to women's rights. For instance, she noted that the budget for violence against women was less than 1 per cent of national budgets. While recognizing the significant and positive policy changes in many countries, together with the introduction of new laws, enhanced education and institutions, and improved responses to challenges affecting girls, gender priorities remained underfunded. She also noted the inequality in women's participation in the economy and political participation. The lack of a minimum wage for women, combined with a large number of women on temporary contracts, had denied them the benefit of health and maternity care, all of which affect poverty. Ms. Mlambo-Ngcuka argued that without more active interventions, business as usual would mean that it would take many decades for women to achieve gender parity in politics and parity in women's economic participation. She stressed that while there had been much progress in the policy sphere, practice and implementation had not always lived up to policy changes.

Mr. Stiglitz argued that while finance was key for sustainable development, the form of finance and the conditions attached also mattered. He said that there were huge investment needs but no shortage of global savings. However, the financial system failed to intermediate savings effectively. He stressed that the system had become too short-term oriented while investment needs for sustainable development were long-term. Mr. Stiglitz called for improved governance, with a greater role for universal institutions like the United Nations, and greater coordination across ministries and institutions. He argued that the world needed better rules for managing the spillovers of policies and cited three areas where he felt current rules fell short: international tax cooperation, sovereign debt restructuring frameworks and the reduced policy space implicit in current international investment agreements. He highlighted the importance of upgrading the United Nations Committee of Experts on International Cooperation in Tax Matters. He was also concerned about the conditions attached to the Greek bailout, which had caused one of the worst depressions in history, with high unemployment. He stressed the need for a better handling of debt problems in a comprehensive legal framework. He argued that if the problem of debt restructuring could be resolved through contracts then there would have been no need for domestic bankruptcy courts at the national level and called for its analogue at the international level.

Mr. Mbeki introduced the concerns of African Governments over illicit financial flows from the continent. He explained that this was a significant problem

for generating resources for investing in sustainable development. He cited estimates that Africa had lost more than \$1 trillion over the past 50 years through illicit financial flows. Mr. Mbeki argued that the principal culprits behind illicit financial flows were major companies and trade mispricing, criminal activities and corruption. He called for greater cooperation between different government institutions and coherence between legal and regulatory frameworks. He also said that more needed to be done in the destination countries of the illicit financial flows, and in a less fragmented manner. He concurred with Mr. Stiglitz about the importance of discussions on international tax cooperation happening at the United Nations, where the approach can be comprehensive and universal.

Mr. Ocampo reiterated the importance of enhancing the voice and participation of developing countries in economic decision-making and norm setting. He set out three areas where he saw a lack of coherence in international policies: the governance framework relating to international taxation; the lack of a timely, orderly, effective, fair debt restructuring framework; and reform of the international monetary system. He supported an upgrade of the Committee of Experts on International Cooperation in Tax Matters to an intergovernmental body, as well as for a United Nations convention for tax evasion and illicit financial flows. He argued that Governments needed space for policy formation, implementation and evaluation. He called on the International Monetary Fund to increase its special drawing rights allocation at the review later in the year.

In the discussion, the Permanent Representative of South Africa to the United Nations, Kingsley Mamabolo, delivered a statement on behalf of the Group of 77 (G-77 and China). The group acknowledged the need to mainstream sustainable development at all levels. The group stressed the need to recognize the principle of common but differentiated responsibilities, and the centrality of North-South cooperation. The group also argued that policy space of developing countries must be respected. The G-77 and China stressed the need to strengthen international tax cooperation, and asked that the outcome document include work on a formal definition of illicit financial flows and an upgrade of the United Nations Tax Committee to an intergovernmental body. The group also asked for developed countries to scale up official development assistance including for science technology and innovation, provide more technology diffusion, make intellectual property regimes and associated rules at the World Trade Organization consistent with sustainable development, adopt a technology facilitation mechanism, and operationalize a technology bank for least developed countries. The group asked for more progress in the area of debt.

An interactive discussion among participants, including representatives of Governments, institutional stakeholders, civil society and the business sector, included the following key points:

- A number of delegations stressed the importance of national sustainable development strategies, with countries responsible for incorporating the sustainable development goals into their national sustainable development strategies. These strategies should be informed by mapping exercises that assess each sustainable development strategy and all associated targets, and accompanied by implementation plans.

- A number of speakers underlined the importance of having a robust follow-up mechanism for financing for development that operates at multiple levels and that should be grounded in country experiences.
- Capacity-building was raised by many delegations. It was argued that human capacity is critical to making complex policy choices and then implementing them. In the area of illicit financial flows, the key capacities were described as the ability to prevent and detect flows, and enforce rules.
- Speakers pointed out the vulnerabilities of small island developing States, which are particularly acute when it comes to trade, debt sustainability and climate change. One delegate proposed new debt swap mechanisms modelled on debt forgiveness given in exchange for investments in domestic environmental conservation, as called for in the Addis Ababa Action Agenda. There was a call for new tools for small island developing States, such as a vulnerability index.
- The importance of health care was raised, and a plea to see it as investment spending, not consumption spending, since it could boost human capital and create jobs, including jobs for women.
- There was support for greater action to be taken on illicit financial flows, especially in the destination countries of those flows. There was also support for turning the United Nations Committee of Experts on International Cooperation in Tax Matters into an intergovernmental body.
- A statement was made that gross domestic product per capita should not be used as the only criteria for allocating concessional loans and grants.
- A number of comments from civil society focused on the need for accountability of the private sector, particularly with regards to public-private partnerships. Interventions argued for more work on a public-private partnership accountability framework. It was also said that corporate accountability begins with paying a fair share of tax in countries of operation.
- Philanthropic actors asked for a better enabling environment for the philanthropic sector and more systematic inclusion of the philanthropic sector in policy dialogues, at both national and global levels.
- Several interventions focused on decentralization and the value of localizing the sustainable development goals and their means of implementation, including greater synergy between finance at the local and national levels.
- A speaker argued for the need to change incentives in financial regulation and macroeconomic policies, so that all private finance aligns with sustainable development.
- It was argued that the world needs more public investment in agriculture, which should go hand-in-hand with greater investment in social protection. A business sector speaker argued that access to finance was critical for agricultural investment, and that this access needed to be provided to smallholder farmers and to small and medium-sized enterprises that provide agricultural inputs.
- It was also argued that human rights need to be at the core of development finance.

- A civil society speaker stressed the importance of reforming global economic governance, and of giving a more central role to the United Nations because of its universal nature. In addition, the role of capital account management and the importance of addressing the impact of debt servicing on achieving the sustainable development goals were stressed.
- Interventions also mentioned the coherence between trade and the global framework for financing the sustainable development goals. It was argued that unilateral economic and trade sanctions impede policy implementation at the national level.
- Interventions stressed the need to deal with vulture funds. The recent anti-vulture fund legislation in Belgium was welcomed as a good model for other countries to follow to protect countries from exploitative litigation by vulture funds.

---