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## Third International Conference on Financing for Development

Addis Ababa, 13-16 July 2015

Agenda item 9

**Multi-stakeholder round tables**

### **Round table 4: Ensuring policy coherence and an enabling environment at all levels for sustainable development**

#### **Summary of discussion**

Round table 4 was co-chaired by the Minister of Finance, Planning and Development of Malawi, Goodall Gondwe, and the Minister for Development Cooperation and International Trade of the Netherlands, Lilianne Ploumen.

The Secretary-General of the United Nations Conference on Trade and Development, Mukhisa Kituyi, moderated the panel. Presentations were made by the following panellists: the First Deputy Prime Minister and Minister for Foreign and European Affairs of Croatia, Vesna Pusić; the State Minister of the Planning Commission of Ethiopia, Ato Getachew Adem; the Deputy-Minister for Foreign Affairs of El Salvador, Jaime Alfredo Miranda; and the Executive Secretary of the Economic Commission for Latin America and the Caribbean, Alicia Barcena. There was one discussant: the Head of the Centre for the Global Agenda and Member of the Managing Board of the World Economic Forum, Richard Samans.

In her introductory remarks, Ms. Ploumen outlined the importance of coherence and coordination for sustainable development. She argued that at the national level, policies of different ministries needed to be coordinated and, depending on individual country circumstances, this could be accomplished by a dedicated coordinating ministry. In addition, she stressed the need to seek common ground and synergies among all actors, including external stakeholders. Furthermore, she said that countries should ensure that their policies were coherent with the development needs of other countries and argued that developed and middle income countries needed to assess the impacts of their policies on poorer countries.

Ms. Pusić shared her view that the concepts of “aid provider” and “aid recipient” had created misconceptions leading to poorer results. She argued instead for partnerships that were mutually beneficial and were a foundation for development coordination. She said that the provision of funds should be accompanied by economic cooperation such as trade partnerships that created markets for the recipient countries. She argued that development cooperation is the key instrument of all international relations. From her perspective, development



cooperation consisted of three aspects of equal importance: money, knowledge and partnership. In her final point, she defended small donors and gave examples of how small amounts of money could have a large impact when they were well focused. In her experience, small donors could also work together to leverage greater impact. She argued against dispersed large donors defining the development agenda and in favour of the participation of small donors on a wider platform in reaching a political consensus on the approach to development and the development agenda.

Mr. Miranda said that delegates should not leave Addis Ababa without clear ideas on the means of coherent and consistent financing for post-2015 development challenges. He stressed that the world should not ignore the harmful effects of bad policies, such as the pressures that foreign direct investment could create to lower social standards or the impact of the 2008 economic and financial crisis on developing countries. He stressed the adverse impacts of climate change and extreme climatic events on developing countries and underlined that middle-income countries were particularly vulnerable because they did not receive concessional or external support. Mr. Miranda said that developing countries faced risks from foreign investment due to volatility and the pressures put on host countries. He argued that these pressures often led to concessions for foreign investors that could result in lower tax revenue and harm domestic enterprises because of the lack of a level playing field. Mr. Miranda stressed the need to tackle illicit financial flows at the international level and to include developing country voices in establishing taxation standards. In this regard, he said that the United Nations Committee of Experts on International Cooperation in Tax Matters should be upgraded into an intergovernmental body. Mr. Miranda spoke of the need for a multilateral legal framework for resolving sovereign debt crises in a neutral forum that recognized human needs and the sustainable development goals, held creditors and debtors accountable for their behaviour and gave the right for all parties to be heard. Finally, he spoke of the urgent need to restructure the world's economic governance system to give developing countries more say, enhance transparency and increase accountability, and argued for an increase in the role of the United Nations to review progress on Financing for Development in the Economic and Social Council.

Mr. Adem described the Ethiopian system for planning at the national level. He argued that planning systems were key elements for coherence and coordination. He described how Ethiopia had prioritized coherent planning on issues of health, education, roads and food security, working together with the line ministries and the ministry of finance and economic development. He also stressed the importance of integrating the Millennium Development Goals and now the sustainable development goals as organic components of the planning process. He highlighted how Ethiopia had involved all stakeholders in the consultation processes on national plans, helping to create not just government ownership but also national ownership. He also explained that it was important for macroeconomic policy to be oriented towards poverty eradication and development rather than focused on stabilization. Mr. Adem said that, while the private sector in Ethiopia was very young, public investment had helped to boost private investment in all regions, helping to sustain high growth rates. Lastly, he explained that both vertical and horizontal coordination were important, so that national priorities would be reflected in the policies at State and local levels.

Ms. Barcena described inequality as the main structural challenge facing Latin America, describing the region as the most unequal in the world. She explained that while poverty rates and inequality had been declining owing to active social policies, a plateau had been reached in 2012. She argued that the region needed a new paradigm with coherence and coordination between macroeconomic, fiscal, social and productive policies. She stressed that decent jobs were fundamental to combating inequality. She also argued that the region needed a new social compact such that on the one hand businesses and the elite would pay their fair share of taxes, while on the other hand Governments would provide better services and help to better redistribute wealth, technology and capital. The post-2015 development agenda needed to be implemented such that synergies across the environmental, social and economic dimensions of sustainable development could be realized. In her view, a cross-ministerial committee would need to map out plans with long-term horizons and that would need to be linked to national budget and national statistical systems. To finance these plans, countries would need greater domestic resource mobilization, the prevention of transfer mispricing by multinational companies and a United Nations body on tax matters. Ms. Barcena also stressed the debt sustainability problems in the Caribbean region, saying that the countries needed a debt write-off.

Mr. Samans introduced three central coherence challenges. First there were challenges in building coherence between growth, social inclusion and environmental sustainability. Second, there were institutional coherence challenges at the national and international levels. Finally, there were coherence challenges among different external stakeholders such as academia, business and civil society. He also argued that there was a need to focus more on sustained growth in living standards rather than on growth in average gross domestic product per capita. He concluded by saying that building institutions would be critical. He suggested a concrete next step in which investors and Governments should assemble integrated public-private financing packages to tackle the two problems of climate change and development.

An interactive discussion among participants included the following key points:

- Some delegations argued that discussions on climate change and development finance should be brought together. One way to do that would be to more effectively tackle fossil fuel subsidies and introduce carbon pricing. Urgent action must be taken in Paris in December.
- There was insufficient financing for both development cooperation and climate change. Neither official development assistance contributions nor the promises of climate finance had lived up to their promises.
- Countries had concentrated too long on fiscal deficit ceilings and thus not invested enough in growth-producing infrastructure. Public sector spending could boost growth and crowd in private investment.
- Official development assistance should be used to catalyse and leverage private investment. Some delegations argued that private finance had a major role to play across sectors including health, education, water and sanitation and disaster risk reduction.

- Rule of law and human rights were necessary to attract foreign direct investment and were key principles for the realization of sustainable development.
- Empowering women to engage in economic activity was an important component of policy coherence.
- The return of illicit financial flows to their countries of origin would be vital, but that required action on the part of rich countries because developing countries had no way of knowing where the funds were.
- There was a need for developing countries to move up the value chain and have a greater share in the value creation. This however was constrained by policies in rich countries, which would need to be made coherent with sustainable development goals.
- Some civil society representatives emphasized the importance of policy space for developing countries, the need to address imbalanced intellectual property rights regimes and the imbalanced integration of small and medium-sized enterprises in value chains.
- The issue of marginalization of women workers in international value chains was also raised. Women had increasingly been pushed into casual labour without adherence to core labour standards and human rights.
- There were concerns about the privatization of public services and the impact of investor-state dispute settlement on the achievement of sustainable development. Civil society representatives suggested that the phrase on “proper review of investor-state dispute settlement clauses in investment treaties” should be reintroduced into the Addis outcome document.
- International economic and trade institutions needed to do more for policy coherence by integrating the sustainable development goals into their policies and practices. They also needed to do a better job of promoting coherence between macroeconomic policies, social inclusion and the creation of decent work. Protecting the policy space of developing countries would be important.
- A private sector representative argued that there was a need to move to long-term thinking and that environmental, social and governance issues needed to move from the realm of corporate social responsibility to be mainstreamed throughout business.
- More and better jobs and inclusive growth could be created through sustainable investments. Investment in the private sector by public funds should aim for a positive impact on society, sustainability and financial viability.
- A sovereign wealth fund representative suggested that more governments make use of financial structures whereby independent, professional asset managers manage public assets, maximizing returns like private equity fund managers do. The speaker suggested a profit sharing mechanism between government, investors and the sovereign wealth funds.
- National coherence was crucial, with the need to take a whole-of-government approach. There was a request for the Conference to consider the need to

strengthen coordination and planning ministries, including by enhancing their skills and human capital.

- The importance of pursuing win-win solutions was mentioned in the context of policy coherence. Even national-level policy coherence was difficult. Ministries had a tendency to work in silos, creating challenges for implementation. Regional cooperation, as well as measurement and monitoring, could help overcome this.
  - Support was expressed for the idea that the United Nations should have a role in improving sovereign debt restructuring processes.
  - The World Bank representative stressed that the multilateral development banks were ready to assist countries in both infrastructure and domestic resource mobilization.
  - Tracking results, learning lessons and addressing bottlenecks to implementation would be needed. This would involve top-down, but inclusive, planning as well as bottom-up work on implementation.
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