

**Preparatory Process for the Third International Conference  
on Financing for Development**

**Second round of Substantive Informal Sessions (9 – 12 December 2014)**

*Informal Summary by the Secretariat*

In preparation of the Third International Conference on Financing for Development (Addis Ababa, Ethiopia, 13-16 July 2015), the General Assembly held four days of substantive informal sessions, from 9 to 12 December 2014, chaired by the co-facilitators of the process, H.E. Mr. George Wilfred Talbot (Guyana) and H.E. Mr. Geir O. Pedersen (Norway). The overall theme of the sessions was “Enabling environment, systemic issues, follow-up process and learning from partnerships”.

As during the first round in November, the sessions drew significant interest of Member States, with a high level of participation from capitals of both developed and developing countries, including senior officials from ministries of finance, foreign affairs and central banks. The major institutional stakeholders, including the World Bank, IMF, UNCTAD and UNDP, continued to be fully engaged. Many other parts of the UN system were also involved, including UNICEF, UNEP, the Global Compact, UNODC, UN Women and UN-OHRLLS. Other organizations such as the Financial Stability Board, OECD, GAVI, the Global Environment Facility, the Green Climate Fund and the Inter-American Development Bank also participated. Representatives of academia, civil society and the private sector contributed to all discussions and side events.

This report provides a consolidated day-to-day summary of the second round of substantive informal sessions. The summaries of these discussions will serve as inputs to the drafting sessions on the outcome document of the Conference to be held in January, April and June 2015.

**Session 1: “International monetary and financial system; regulations to balance access to credit with financial market stability” (9 December 2014)**

The session was moderated by Mr. José Antonio Ocampo, Professor of Professional Practice in International and Public Affairs Columbia University and former Minister of Finance of Colombia. Panelists included: Ms. Tarisa Watanagase, Former Governor of the Bank of Thailand and Alliance for Financial Inclusion Associate; Mr. Rupert Thorne, Deputy Secretary General, Financial Stability Board (FSB); Mr. Athanasios Arvanitis, Assistant Director and Chief of the Emerging Markets Division, Strategy, Policy and Review Department, International Monetary Fund (IMF); and Ms. Catharine Schenk, Professor of International Economic History, University of Glasgow.

Mr. Ocampo emphasized the significance of the Monterrey Conference in advancing the global discourse on the reform of the international monetary and financial system. The last chapter of the Monterrey Consensus called for enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development. Monterrey was the first time systemic issues were discussed in the UN.

However, the recent financial crisis revealed systemic flaws, regulatory gaps and misaligned incentives in the international financial and monetary systems. Despite various initiatives, much work remains to be done, particularly with regard to increasing the effectiveness of the international monetary system. The Addis Ababa Conference could lay important groundwork in this regard and help establish an enabling environment in support of the post-2015 development agenda.

Ms. Tarisa Watanagase, highlighted the need for central banks to pursue policy measures to prevent boom-bust cycles and promote sustainable growth in line with a country's economic potential. Central banks should pursue the dual mandates of price stability and financial stability. It is important to avoid accommodative monetary and fiscal policies for extended periods of time, since these could result in asset bubbles and imbalances that threaten economic stability. The central bank should also encourage the public to maintain sustainable corporate and household debt. At the same time, it was crucial to understand and mitigate systemic risks of the banking sector, including risks associated with capital flows. In her conclusion, the speaker proposed several areas where further discussion was needed, including the relationship between capital flows and price and financial stability; effective monitoring and assessment of systemic risk; greater use of Financial Sector Assessment Programmes (FSAPs) for systemically important countries; analytical capacity building; and governance structures that protect the mandate of central banks to maintain financial stability from outside interference.

Mr. Rupert Thorne recalled that the G20 Leaders in 2009 committed to a fundamental reform of the global financial system. The objectives were to fix the fault lines that led to the crisis, and to build a safer international financial system to better serve the real economy. In his view, agreement on the first phase of reforms has been substantially completed. The next phase of reforms was to address new and constantly changing risks, by making banks more resilient, ending too-big-to-fail, transforming shadow banking into resilient market-based financing and making derivatives markets safer. The FSB would launch comprehensive monitoring and peer reviews of reforms to build mutual trust through better data and information sharing. It was important to ensure consistent implementation of agreed common standards. However, each jurisdiction's circumstances needed to be fully taken into account. The Financial Stability Board had also made efforts to reach out to developing countries through strengthening the voice of the 10 Members of the Board that represent emerging market economies, as well through regular regional consultations. It was also important to understand the effects of regulatory reforms on developing countries. To date, FSB reports had shown that concerns about potential unintended consequence were limited, although the implementation process has just begun. Looking ahead, the FSB would continue its work on more inclusive policy development processes and implementation support for developing countries. Mr. Thorne also stated that stability is a prerequisite for a functioning financial sector, implying that stability and supports increased access to credit.

Mr. Athanasios Arvanitis highlighted recent efforts of the IMF to strengthen the global financial safety net. He emphasized the frequency of systemic crises over the last few decades. Capital flow volatility has continued to pose risks to emerging market

economies. As a response, a multi-layered global safety net has emerged over the last decade, which includes self-insurance through reserve accumulation, bilateral swap lines, regional financial arrangements, and global initiatives. The BRICS Contingent Reserve Arrangement (CRA), with an initial size of USD 100 billion was set up to help countries forestall short-term liquidity pressures. The speaker emphasized that each layer of insurance faced its own particular challenges. For example, opportunity costs for reserve accumulation were significant, bilateral swap lines had to cope with concerns about credit risk and consistency with central bank mandates, and regional financial arrangements were frequently small in size. While there were important synergies across all four layers, fragmentation has also increased. In that context, the G-20 Principles for Cooperation between the IMF and RFAs could help increase coherence.

Ms. Schenk gave a historical perspective on reforms of the global monetary system. She highlighted that in the early 1970s the international monetary system had faced similar challenges to the current trends, including volatile commodity prices, spill-over effects from USD volatility, and vulnerability to volatile capital flows. Although, there were debates on several proposals, such as the introduction of a substitution account and greater use of the IMF's Special Drawing Right (SDR), actual international monetary reforms included regional monetary solutions (e.g. the European Monetary System), international cooperation to manage reserves, as well as coordinated multilateral and bilateral swaps. Some lessons that Governments may draw from history were the need to coordinate long-term and short-term interventions and to aim for more flexible informal arrangements. In her view, enhanced use of SDRs was a long-term prospect, which would require liquidity and secondary markets. In light of the current multiple currency system and increased interdependence among the largest economies, she saw enhanced prospects of coordination.

Points made in the subsequent interactive discussion included the following:

- The global economic and financial crisis has shown the importance of comprehensive reform process. Many delegations called for greater multilateral cooperation to ensure financial and monetary stability. However, reform efforts must not have any negative impact on developing countries and should not put undue regulatory burdens on them. It was important to take the local contexts into consideration in the design of new regulatory frameworks.
- Many speakers called for broader representation of developing countries in global norm-setting bodies and international financial institutions. More inclusive governance would also lead to greater willingness on the side of previously marginalized economies to implement regulatory reforms. With regard to governance reform at the IMF, speakers emphasized the importance for its largest shareholder to ratify the 2010 quota reform package. There were calls for an increased role of the UN in the coordination of regulatory and financial reform.
- Several speakers emphasized that reserve accumulation was a legitimate policy tool for self-insurance that was far less costly than the financial and economic impact of

crises. The imperative was to increase the stability of the financial system to reduce the need for self-insurance.

- Different perspectives were expressed on potential reforms of the reserve currency regime. While some speakers considered the introduction of SDRs to be unrealistic and favored more policy coordination within the existing multicurrency regime, others insisted that SDRs could be introduced as a full reserve asset, which countries could either use or deposit in their IMF accounts.
- Many delegations highlighted the need to balance regulatory reforms with the need to ensure adequate access to long-term financing and SME finance, especially for developing countries. Indeed, some expressed their concern that reforms like Basel III had already limited access to finance for developing countries.
- Some speakers noted that national development banks (NDBs) could play a pivotal role in providing finance for sustainable development. Moreover, NDBs could provide countercyclical credit in times of macroeconomic instability, which was one of the main causes of business failures, underinvestment and chronic unemployment.

## **Session 2: “International Tax Cooperation” (9 December 2014)**

The second session featured a panel on international tax cooperation for development, focused on how international tax cooperation can best lead to more inclusive and development-oriented approaches to the setting of international tax rules. Mr. Vito Tanzi, former Director of the Fiscal Affairs Department, International Monetary Fund, delivered a scene-setting presentation of emerging international tax issues for both developing and developed countries, and outlined some possible solutions. It was followed by a panel session moderated by Mr. Alex Trepelkov, Director, Financing for Development Office, UN Department of Economic and Social Affairs. The panellists were: Mr. Eric Mensah (Ghana), Member of the United Nations Committee of Experts on International Cooperation in Tax Matters; Mr. Ruud de Mooij, Deputy Division Chief, Tax Policy Division, Fiscal Affairs, Department, International Monetary Fund; Ms. Marlies de Ruiters, Head, Tax Treaty, Transfer Pricing and Financial Transactions Division, Center for Tax Policy and Administration, Organisation for Economic Co-operation and Development.

In the scene-setting presentation, Mr. Tanzi highlighted major historical developments, as well as recent structural transformations in the area of international taxation, that had cumulatively contributed to the current limitations in tax capacity of developing countries. He then outlined possible tax reforms with a view to increasing tax revenues for development, including: (a) re-evaluation and reassessment of established tax principles; (b) restrictions on the use of debt in place of equity; (c) development of a formula to allocate profits among tax jurisdictions; (d) greater use of withholding taxes; (e) greater use of source taxation; (f) increasing pressure on tax heavens; and (g) limiting deductions for use of intellectual property.

Mr. Tanzi proposed a so-called “Manhattan Project” of tax, which would pull together international organizations to jointly study solutions to growing tax evasion and avoidance. At a later stage, this working group might evolve into a formal organization (such as the sometimes-suggested World Tax Organization). Such an organization could be responsible for promotion of tax principles and of surveillance over countries’ tax policies, but not actual collection of taxes. The speaker proposed that global tax rules should be seen as a global public good needed to reduce tax avoidance and abuses and to provide fair access to the global tax base by each country.

In his opening remarks, Mr. Trepelkov, outlined the recent intergovernmental developments at the United Nations in the area of international tax cooperation. He stressed that fair and effective tax systems are central for financing sustainable development and that the Third International Conference on Financing for Development has the potential to recognize and analyse the current landscape of international tax cooperation and help to identify priorities for reform and make concrete provisions to meet the needs, and support the efforts of both developing and developed countries for financing sustainable development. In preparation of the Conference, he called on international tax organizations to explore how they can work together to facilitate a more development-oriented approach to setting and updating international tax norms, enhancing transparency and exchange of information mechanisms and strengthening national tax administrations.

Mr. Mensah introduced the role of the UN Model Tax Convention in avoiding double taxation of profits (thus promoting investment) while preserving tax revenues in the host country of investment. He pointed out that the UN Model also responded to developing countries’ concerns in being less dependent than other Models on a “bricks and mortar” presence before a country could, under tax treaties, begin to tax profits made there. This is especially important in the services economy, which is less reliant on such physical presence for economic engagement with a country. The next version of the UN Model will provide source state taxation of profits on certain types of services (such as consultancy services) provided to that country, without any need for physical presence in that country at all.

Other areas of the UN Tax Committee’s responsiveness to developing country priorities and needs included guidance in addressing international profit shifting and tax issues relating to extractive industries. Mr Mensah noted the lack of funding for Subcommittees’ work between the annual Committee meetings, and the consequent difficulty in ensuring appropriate developing country representation and Secretariat participation. He expressed the view that developing countries were too often involved only after the real decisions in international tax issues had been decided, and the UN and its Committee had an important role in rebalancing that situation.

Mr. de Mooij presented the IMF Staff Report on Spillovers of 9 May 2014. He indicated that spillovers affecting developing countries included ‘base spillovers’, by which one country's actions directly affect others’ tax bases (such as policies on whether foreign-sourced profits are taxed); and ‘strategic spillovers,’ by which such policies induce

changes in other countries' tax policies (such as increasing tax incentives or decreasing rates).

Mr de Mooij noted that some issues were different or of special concern of developing countries. One was the potential for tax treaties to reduce the taxation rights under domestic law of "source countries". Another was how to effectively tax extractive industries, including if a capital gain on, for example, a mining license is realized offshore. A further issue was how to deal with pervasive tax incentives and the "race to the bottom" in granting them. He noted relevant lessons from the IMF Technical Assistance Program. He also stressed that countries should not sacrifice their domestic law taxing rights too readily. In addition, regional coordination between countries can help address some of the challenges for individual countries.

Ms. de Ruiter noted that international overlaps leading to double taxation have been the historical focus of the OECD work, but there was now greater recognition that economic growth was also hampered by double *non*-taxation as multinational enterprises often shifted their profits to where the tax gaps were. She noted that the OECD/G20 base erosion and profit shifting (BEPS) project is intended to contribute to: (1) improving coherence of tax systems by coordinating countries' domestic legislation; (2) resetting the international tax norms to realign taxation with economic activity and value; and (3) improving transparency, certainty and predictability of international taxation.

Ms. de Ruiter said that the OECD recognised that priorities between BEPS issues often varied as between developed and developing countries, and some issues not addressed in the BEPS Action Plan were of critical importance to developing countries, such as for instance wasteful tax incentives and indirect transfer of assets. She indicated that the OECD is moving from *consultation* with developing countries to *participation* of developing countries in its BEPS project. The OECD and other international organizations will also develop toolkits to assist developing countries in implementation of the results of the BEPS project.

Points made in the subsequent interactive discussion included the following:

- Some delegations underscored that more needed to be done to ensure that the voices of developing countries were taken into account in international tax policy setting. It was also highlighted that smaller States should be involved as co-drafters of global standards, with realistic time tables for, and means of, implementation of these standards, taking into account fiscal and human capacities of smaller states.
- Several speakers emphasized the need for stronger data on the deficiencies of the international tax architecture, as well as better information flows to developing countries in order to combat tax abuses. There were calls to map and address the challenges faced by developing countries to fully participate in, and benefit from, country-by-country reporting and automatic exchange of information

- Some speakers underscored that insufficient ODA was directed to strengthening and administering tax systems in developing countries. The Addis Ababa Conference could be instrumental to improve the situation ;
- It was highlighted that more consideration had to be given to the issue of gender budgeting due to the disadvantageous impact taxes might have on women.
- Participants discussed the risks to investment and development caused by double taxation as well as unilateral and inconsistent BEPS measures taken by individual States. With regards to BEPS, issues related to customs, value added and income taxation should be addressed.
- Some speakers underlined the continuing lack of a globally inclusive norm-setting body on international tax cooperation at the intergovernmental level and expressed support for conversion of the UN Tax Committee into an intergovernmental body, as a subsidiary body of ECOSOC. Unnecessary duplication of work should be avoided by cooperation among international organisations to address the needs and priorities of developing countries in the most effective ways.

### **Session 3: “Debt crisis prevention and resolution” (9 December 2014)**

The session was moderated by Ms. Benu Schneider, Senior Economic Affairs Officer, Financing for Development Office, UN Department of Economic and Social Affairs. Panellists included: Mr. Andrew Powell, Research Director, Inter-American Development Bank; Mr. Richard Kozul-Wright, Director, Division on Globalization and Development Strategies, UNCTAD; Mr. Richard Gitlin, President, Richard Gitlin and Company.

In her opening remarks, Ms. Benu Schneider drew attention to the progress made in crisis prevention in the aftermath of the East Asian crisis and in improving bond contracts with the introduction of collective action clauses. She queried if further measures were needed in light of the debt-related difficulties in some countries of the Euro zone, as well as Small States and low-income countries that benefitted from the HIPC debt relief initiative. Ms. Schneider also stressed the limited advances in many other issues identified by the International Monetary Fund while setting out their proposal for a Sovereign Debt Restructuring Mechanism over a decade ago. In addition, she emphasized that recent judicial rulings against some HIPC countries and emerging market economies illustrated some persistent legal gaps in dealing with holdout creditors.

Mr. Andrew Powell presented some empirical findings, using a subjective score card to assess the performance of the current system since 1979. He outlined some major facts, as follows:

- Long delays between default and final restructuring: many cases took more than two years before restructuring.
- Long delays before default after the onset of unsustainability: most countries acted too late and achieved too little.

- Problems of creditor litigation
- Underlying problems to put countries back on track for sustainable growth.
- Growth costs around defaults were large and accentuated by the delay before default.
- Restructurings with limited haircuts often had weaker results. The first restructuring often does not solve the underlying problem, especially when the haircut is low. At the same time, deeper restructurings pose higher risks of litigation.

Mr. Powell outlined some other issues to be addressed, such as the current stock of bonds with old clauses (almost USD 1 trillion), small countries with few bond issues, other types of liabilities like bank loans. He also outlined some approaches to be considered for better risk sharing of bond contracts, including the revision of the IMF's Articles of Agreement, an anti-vulture fund legislation, additional contractual proposals, and some institutionalized options (e.g. Debt Forum, "Resolvency" procedures analogous to a WTO process).

Mr. Richard Kozul-Wright expressed the view that the financial systems were now very different from 20 years ago, dominated more by interdependent private actors generating more systemic risks and instability. He highlighted the difficulty for voluntary actions of private actors or official government actions alone to address the instability. Moreover, unstable financial flows hit developing countries harder than developed countries. Mr. Kozul-Wright stressed that the changing nature of developing countries' debt situation and the improvements in many countries were due not only to better policies, but also to favorable external conditions, improved access to capital markets, high remittances and better trade conditions. However, in his opinion, the next fifteen years will be more difficult for developing countries. The multilateral system should, therefore, be vigilant and conscious of the threats faced by developing countries. He outlined three basic principles that any effective mechanism for debt crisis prevention and resolution should uphold:

- Temporary standstill on payments, authorized by an independent authority;
- Lending into arrears to ensure the debt crisis does not become a spiraling economic crisis;
- Restructuring process that is mutually agreed and conducted under the auspices of an independent arbitrator for fair risk-sharing.

Mr. Richard Gitlin was of the opinion that the international community was not ready for a statutory system of sovereign debt resolution because many powerful countries did not feel the need for it. Therefore the current work in this area and the recent modifications to collective action clauses would help, but would be likely to fail. However, he considered the work of the UN on debt restructuring as a positive development. Mr. Gitlin explained that countries in trouble start to fix their problem too late and the fix is often inadequate. They should rather find politically viable method to start the dialogue earlier, before a crisis, via a forum for continuous and participatory reasoning. He argued that an international sovereign debt forum to facilitate informal discussion among all relevant stakeholders could offer countries a neutral place for dialogue to develop politically acceptable solutions or at least the building blocks for such solutions. It could be a standing body of globally accepted facilitators, with a small staff to keep institutional

memory of debt restructurings and to consolidate processes and resources. From his perspective, another benefit would be to avoid wasting too much time on deciding who sets the agenda in restructuring negotiations.

Points made in the subsequent interactive discussion included the following:

- It was recognized that debt is an important tool of development finance if used in a responsible way. Many participants highlighted the need for better debt sustainability and called for stronger focus on prevention rather than resolution and restructuring. In that respect, there were diverging perspectives on the progress made by the IMF in anticipating and identifying debt crises, as well as the results achieved by the IMF in debt restructuring.
- Several speakers expressed support for the establishment of an international debt forum to deal with sovereign debt restructuring. Some participants insisted on some key principles, such as neutrality, accountability, inclusiveness and transparency. It was noted that many proposals had put more emphasis on creditors than on people suffering from debt distress.

#### **Session 4: “Fostering science, technology and innovation” (10 December 2014)**

The panel was moderated by Mr. David O’Connor, Chief, Policy and Analysis Branch, Division for Sustainable Development, UN Department of Economic and Social Affairs. The panelists were Prof. Xiaolan Fu, Professor of Technology and International Development at Oxford University; Prof. William Lazonick, Professor and Director of the University of Massachusetts Center for Industrial Competitiveness; and Mr. Khalilur Rahman, Secretary of the UN Secretary-General’s High-level Panel on Technology Bank for the Least Developed Countries.

Mr. O’Connor opened the session by noting the critical role that science, technology and innovation would play in meeting the goals to be contained in the post-2015 development agenda. Progress was needed in two dimensions – in accelerating technological progress, and in scaling up the diffusion of knowledge and technology. These urgent challenges would need policy action and could not be left to markets alone. This recognition is reflected in the proposal of the Open Working Group on Sustainable Development Goals, which contains target 9b, to ‘support domestic technology development, research and innovation in developing countries’.

The first panelist, Ms. Xiaolan Fu, provided an overview of the state of science, technology and innovation in developing countries. Despite significant catching up with developed countries, progress has mostly been concentrated in middle-income countries. Gaps remain significant, as evidenced for example in very uneven distributions of patent applications, journal papers, and investments in research and development. One notable exception to these continued gaps are information and communication technologies, where there has been significant catch-up of developing countries. Nonetheless, she noted that most of the innovations carried out in developing countries, for example in firms in

Africa, were low cost innovations, with the lack of finance as a critical constraint, particularly for larger scale innovations. In terms of policy actions, Ms. Fu suggested that both public and private financing would be needed at the national level to provide different types of finance for different stages of the technology cycle. Education, training and stronger linkages and collaboration among firms and universities are also key. At the international level, ODA could focus more on science and innovation. Lastly, technology transfer – both North-South and South-South collaboration – could make a critical contribution.

Mr. William Lazonick highlighted that innovation ultimately derives from enterprises, which are the foundation of economic growth. Yet, innovation is an uncertain, collective and cumulative process, which implies that enterprises rely on societal relations, collaboration with other stakeholders, such as universities, and on a developmental state. For this reason, countries should have a strategic approach to implement national innovation strategies. Organizational integration and long-term financial commitments were particularly needed. He further noted that in developing countries, innovative enterprises played a key role in adapting knowledge to achieve indigenous innovation.

The final panelist, Mr. Khalilur Rahman, reminded the audience that the least developed countries (LDCs) were facing the greatest challenges in achieving technological progress, and did not have access to traditional mechanisms of technology transfer such as foreign direct investment. To address this gap, the Istanbul Programme of Action aimed to establish a technology bank, which would promote national action and mobilize international support. In November 2014, a high level panel was set up to conduct a feasibility study for the bank, which it is expected to complete by the summer of 2015 and which the Secretary General will convey to the 70<sup>th</sup> session of the General Assembly. The main functions of the technology bank will be a science, technology and innovation support mechanism to assist the LDCs in human and institutional capacity building; a patents bank to help LDCs secure intellectual property at negotiated or concessional rates, among other issues; and a science and technology depository facility, supporting LDC access to scientific literature and helping brokering research collaboration.

Points made in the subsequent interactive discussion included the following:

- There was broad agreement that science, technology and innovation are critical for all countries, and should be a key component of the global partnership for sustainable development. Several speakers noted that developing countries lacked the financial resources to prioritize STI investments. Others noted that innovation should be seen as a means to address and meet other sustainable development priorities.
- At the international level, the importance of access to and transfer of technology was critical, including the transfer of clean technologies as committed to in the Rio+20 outcome document. There was also a call for a greater share of ODA to be dedicated to financing research and development. Additional financing and capacity building was particularly important for the poorest countries. The complementary and important role of South-South cooperation in this regard was also mentioned.

- In terms of national policies, speakers called for a focus on skills development and education, as well as a financial sector that is geared toward financing of investments in innovation and productive capacities. Finally, the importance of non-traditional knowledge was highlighted.

### **Session 5: “Investment regimes for sustainable development” (10 December 2014)**

The panel on investment regimes for sustainable development was moderated by Mr. Richard Kozul-Wright, Director for the Division on Globalization and Development, UNCTAD. The panelists were: Ms. Elisabeth Tuerk, Chief, International Investment Agreements Section, UNCTAD; Ms. Sarah Anderson, Fellow at the Institute for Policy Studies; and Mr. Jeswald Salacuse, Professor of Law, Tufts University, and President of the International Arbitration Tribunal.

Mr. Richard Kozul-Wright emphasized that the Monterrey Consensus had called for a transparent, stable and predictable investment climate. Since then, numerous bilateral investment agreements have been signed, and developing countries have found it difficult to navigate a very fragmented landscape. In this context, the Intergovernmental Committee of Experts on Sustainable Development Financing called on the international community to explore steps toward a multilateral approach to investment regimes that more adequately balances the interests of all stakeholders and takes sustainable development considerations fully into account.

Ms. Elisabeth Tuerk noted that after a rapid increase of bilateral investment treaties in the 1990s, fewer such treaties were signed in recent years. There is an upscaling, with larger groups of countries involved in treaties which cover a greater number of issues, while at the same time there is a trend for “disengagement” by some countries who have cancelled or modified treaties recently. She indicated that the system was designed for flexible resolution of investment disputes; but that increasingly investor-state disputes have not looked at expropriation of investment, but instead focused on public policy issues such as health or environmental regulations. More than fifty investor-state dispute settlement cases were filed in 2013, which has led to public debate on the impact of investment agreements on national policy space. Ms. Tuerk outlined five possible paths for reform of dispute settlement (including the introduction of an appeals facility, improved transparency, or the creation of a standing international investment court) and four paths of reform for the overall system of international investment agreements. Finally, she briefly introduced UNCTAD’s Investment Policy Framework for Sustainable Development, which provided policy options and guidelines for policy makers.

Ms. Sarah Anderson stressed that the creation of the main forum of investor-state dispute settlement was rejected by twenty-one countries in 1964 at the World Bank annual meetings in Tokyo. She said the opponents were vindicated and that the system of investment treaties was now in a deep crisis of legitimacy, and thus needed a broad overhaul. She noted investor-state cases against the promotion of green energy, capital account regulations, and laws to combat the negative effects of smoking, all potentially

undermining efforts to promote sustainable development. Expensive lawsuits often follow, with high claims for damages. Her main suggestion was to abolish investor-state dispute settlement mechanisms, or to require, at a minimum, that investors exhaust domestic legal remedies first.

Mr. Jeswald Salacuse remarked that investment treaties did not take into consideration development issues when they were originally set up, but were rather focused on controlling political risk for foreign investors. He stated that investment agreements are not being widely eschewed and were here to stay, so that the challenge was to adjust the existing system to render it compatible with sustainable development goals. He emphasized that states controlled the process, and still could direct reforms. He made several proposals, including specific and explicit recognition of states' rights to regulate in the treaties, obligations not to reduce health, safety and other standards, and more references to sustainable development. With regard to dispute settlement mechanisms, he suggested the treaties should put more emphasis on alternative dispute settlements, such as mediation or conciliation, and called for greater transparency.

Points made in the subsequent interactive discussion included the following:

- Several participants questioned whether investment treaties were an effective means to attract foreign direct investment and cited evidence of countries that eschewed such treaties and were recipients of significant investment. Others noted that small economies may well benefit from signing treaties. There was agreement that investment treaties were not sufficient to attract foreign investment, and that broader policy measures were necessary.
- One theme in the debate was the development of an international investment treaty template. Elements that could be incorporated into such a template included environmental safeguards and protection in other priority areas. However, some argued that a template would not be enough and that there should be a meaningful accountability framework for the business sector in the context of the post-2015 development agenda. Some suggested including minimum environmental and social standards as mandatory, with particular focus on climate and ecological risk.
- There were calls for capacity building in developing countries to address national governance constraints, and a concrete proposal to explore a facility similar to Aid for Trade for investment. Another concern expressed was that foreign investment did not result in sufficient technology or knowledge transfer.
- With regards to dispute settlement mechanisms, there were calls for a comprehensive review of existing treaties in the context of the Addis Ababa Conference and for a moratorium on dispute settlement mechanisms. Others cautioned that local courts might not be in a position and have the resources to take on investor-state settlement cases. Reference was also made to the Rules on Transparency in Treaty-based Investor-State Arbitration recently adopted in the United Nations Commission on

International Trade Law, which aim at improving transparency in the investment arbitration regime.

### **Session 6: “Trade regimes for sustainable development” (10 December 2014)**

The panel was moderated by Mr. William Milberg, Dean, New School for Social Research. The speakers included: Mr. Guillermo Valles, Director, Division on International trade and commodities, UNCTAD; Ms. Jennifer Bair, Assistant Professor, University of Colorado; Mr. Joaquim Tres, Regional Instruments Coordinator, Integration and Trade Sector, Inter-American Development Bank; Mr. Paulo Correa, Lead Economist and Acting Practice Manager for the Innovation Technology and Entrepreneurship (ITE) Unit in the Trade and Competitiveness Global Practice of the World Bank Group; and Ms. Deborah James, Director of International Programs, Center for Economic and Policy Research.

Mr. William Milberg opened the session by highlighting some of the main changes to international trade since Monterrey, both in terms of trade negotiations and in trade patterns and structures. In particular, he noted that the WTO has been overshadowed by negotiations on mega-regional trade agreements, and that trade is being transformed by linkages between goods trade with services trade and investment.

Mr. Guillermo Valles began argued that trade policy is both a means for implementation of the Sustainable Development Goals (SDGs), as well as a means for financing development. He underlined that previous discussions on trade, for example in the context of the Millennium Development Goals (MDGs), had been too limited and, in particular, too focussed on tariffs. He argued that there were many other elements of trade policy that should be considered, such as non-tariff barriers and competition policy.

Ms. Jennifer Bair presented some stylised information about global value chains and their impact on trade. She emphasised that the presence of value chains is neither bad nor good, but that it is important to analyse the structure and governance of specific value chains, to understand their impact on sustainable development. She emphasised that production now involved complex webs of relationships between multiple countries and firms. The value chains have implications for the types of trade that are undertaken. Countries must import in order to export, so the rules of origin that form part of trade agreements have very important implications about the location of imports as well as exports along the value chains. In addition, Ms. Bair said value chains do not emerge spontaneously, but are governed by lead firms to capture the majority of value for themselves.

Mr. Joaquim Tres described the situation in Latin America. While emphasizing that trade is important for growth, he questioned the effectiveness of trade liberalization, noting that despite significant trade liberalisation and reduction of tariffs, trade in the region has remained at about 6% of the global total for decades. He described how the lowering of tariffs unmasked new costs, for example in the areas of trade facilitation, trade security and poor infrastructure.

Mr. Paulo Correa put trade in the context of poverty reduction. He emphasised two contradictory effects: trade increases growth and thus reduces poverty in the long-run, but it may increase poverty and inequality in the short-term. He emphasised the importance of complimentary policies, such as education and labour market policies, which can enhance the benefits from trade. Labour mobility and competition policy were considered particularly important.

Ms Deborah James focused on trade agreements. She argued that trade agreements have harmed developing countries because they had been written to benefit rich countries. She particularly stressed that trade agreements have entered into areas of domestic policy making which she said had nothing to do with trade, and stressed that countries needed policy space to advance their own development strategies. She focussed on three areas: intellectual property rights, agriculture, and public services. She argued against the creation of monopolies based on patents, especially health care and climate-friendly technologies. In agriculture she suggested putting the goals of food security policies and support to farmers ahead of trade policies, and finally that rules on trade in services should not forcibly liberalise the delivery of public services, which are crucial for delivery on the MDGs and SDGs.

Points made in the subsequent interactive discussion included the following:

- A key theme was how trade has changed since Monterrey – including the development of global value chains, and the increase of overlapping preferential trade agreements and mega-regional trade agreements. There was a debate about the proliferation of regional agreements, which was described as a spaghetti bowl of rules, with complicated mismatches in rules of origin that create high transaction costs. There was a suggestion that countries could try to align regional agreements with the existing trade patterns in value chains, to ensure more value is added regionally. It was also suggested to design regional agreements that are not based on country groupings where there is a large power imbalance between the members. It was suggested that this could help convergence towards multilateral agreements. One intervention suggested building regional industrial policies to complement regional trade integration. Another suggestion was that the WTO should act as a clearinghouse for best practices in regional agreements.
- A debate proceeded on whether the impact of trade should be measured in terms of trade volumes or other outcomes. Several panellists argued that more trade is better than less trade and cited the empirical literature. Others insisted that this has not been borne out by the evidence on growth in all cases, and that sustainable development outcomes are what matters.
- The moderator set out three challenges associated with trade: aggregate demand, innovation, and inequality. First, the slowdown in world growth can make export-oriented growth strategies more difficult to implement (the Keynes aggregate demand challenge). For example, it was mentioned that countries have increasingly

specialised in exporting high-value agriculture goods, but that the increase in supply, along with the lack of demand growth in developed countries, has impacted the value. Other interventions focused on similar issues with commodity and mineral exports. With regard to the second challenge on innovation (the Schumpeter challenge), the issue of asymmetries in value-added capture were discussed, including opportunities for rent capture within value chains. The importance of regulation was stressed, including financial regulation, as well as competition policy and other regulations. The final challenge set out by the moderator was the impact of changes in trade regimes on inequality in incomes and the distribution of wealth (the Piketty challenge). Some delegations stressed that trade policy needed to have more egalitarian outcomes. A recurrent point was the impact of agricultural subsidies in developed countries and how this hurts the poorest farmers in LDCs. One suggestion was to ensure that trade-facilitating transport infrastructure was also designed to ensure that people in poorer regions get access to quality public services as well access to markets. The importance of investing in education was also stressed.

- Several other topics were mentioned in the discussion, including the incorporation of environmental and social standards in trade agreements and policies, the importance of trade finance, and how trade mispricing is key component of illicit financial flows. The discussion concluded with the observation that policy space can be relevant for developing and developed countries alike.

### **Session 7: “Closing data gaps and strengthening statistical capabilities” (11 December 2014)**

The session was moderated by Dr. James Manyika, Director, McKinsey Global Institute. He opened the session by describing the data revolution that is currently unfolding, and the accompanying phenomenon of big data. The panellists included Ms. Haishan Fu, Director, Development Data Group, World Bank; Dr. Ranjit Tinaikar, Managing Director, Thomson Reuters; Ms. Yesim Sisik, Director, Central Bank of Turkey; Mr. Ronald Jansen, Chief, Trade Statistics Branch, UN Statistics Department; Mr. Ethan Weisman, Deputy Chief, Balance of Payments Division, International Monetary Fund; Mr. Juan Manuel Valle Pereña, Director, Mexican Agency for International Development Cooperation (AMEXCID); and Mr. Papa Seck, UN Women.

The panel addressed four major topics: data and the private sector; availability of data and open data, country experiences, and issues related to data for sustainable development.

Ms. Haishan Fu presented the recent report by the UN Secretary-General’s Independent Expert Advisory Group on the Data Revolution. She said that data was the soft infrastructure not just for monitoring SDGs, but also for managing development. However, many parts of the world were deprived of the needed data, with 70 countries lacking data to monitor poverty trends and some 30 countries not even having household surveys. She argued that the ongoing explosion in data availability was driven by the private sector and needed to be integrated into public policies. Three important priorities

included supporting government statistical capacity to use new tools; promoting smart investment in development data while preventing human rights abuses and privacy invasion; and building country level capacity to produce data.

Dr. Ranjit Tinaikar discussed how big data could help overcome the barriers to SDG investment. In his opinion, big data can lead to quicker and more complex analyses, thus allowing for increased investment. New open standards were allowing combinations of traditional indicators with other data, such as credit card sales or other unstructured data. He argued that there are poor investment benchmarks to guide sustainable investments and credit ratings, which is a key bottleneck for debt markets. He explained that ESG databases already existed and needed to be made compatible. He welcomed more cooperation between the public and private sectors. In particular, he suggested working with governments on anti-money laundering compliance.

Mr. Ronald Jansen described the international system of economic and financial data standards, handbooks and manuals (many revised recently) and stressed the need to make both short-term and long-term investments in statistical systems to handle new demands. Attention also needed to be paid to closer cooperation of central banks, finance ministries and financial markets with the statistical offices acting as the coordinator. While he suggested big data use to get new insights, big data is not a replacement, but a complement to traditional surveys, which are infrequent but needed to benchmark big data estimates. An official statistics agency did not need to compete with private sector, and should use their data whenever the private sector was able to do it better and move faster.

Mr. Ethan Weisman stressed the need for comparable, integrated, standardised and transparent data, as emphasized in the G-20 Data Gaps Initiative, which had, since 2009, worked on 20 recommendations, most of which were to be completed by the end of the year. He said the biggest lagging item was work on government finance statistics. He reinforced that efforts to enhance quality in basic statistics were needed in many countries. He also described the interagency work under the G20 initiative that is to begin in 2016, with an emphasis on regular flows of data in new areas like foreign exchange exposure. He mentioned the number of standards and manuals the IMF has worked on recently, and argued that international institutions can be the facilitators of public-private cooperation by setting the standards that the private sector can implement. He also announced that the IMF is launching a free online data initiative: from January 2015 all the IMF's data that is already online will become free, including with enhanced tools and platforms.

Ms. Yesim Sisik stated that the financial crisis highlighted the need for better data that is more timely and comparable and the importance of detailed mapping of linkages between economic sectors and the financial system. She also said there was an urgent need to produce new datasets of international financial flows data on a 'from whom, to whom' basis disaggregated by amount and type of instruments. Turkey is looking to enhance the use of and consistency among data sets, including FDI and debt flows, via improved compilation from commercial banks and the private sector. However, she said it was

important to get the right data from the right respondents in the private sector. She also emphasised that most of the data revolution at her organisation is based on meeting new and more ambitious international standards, including going beyond minimum requirements.

Mr. Juan Manuel Valle discussed Mexico's experience with reporting data on South-South Cooperation (SSC). He emphasised the importance of transparency for citizens and from the policy making perspective to learn lessons and improve effectiveness. Because SSC is often capacity building and technical assistance, there are measurement and evaluation challenges. Experience sharing, a frequent SSC modality, is complicated to measure because it is not provided by only the aid agency. Mr. Valle explained the infrastructure his agency has for publishing information and data, which also allows for civil society and academics to conduct research. He emphasised the importance of the legal framework for transparency, and indicated Mexico's support for the Open Government Partnership. He also described challenges, such as implementing laws, educating the public, overcoming political opposition, and finding the resources for investing in data.

Mr. Papa Seck discussed the progress in producing gender statistics, attributing this to the demands from the international level. He warned that we should not mistake gender statistics for sex-disaggregated data, as gender statistics cover much more. In the financing area, he mentioned the lack of data on unpaid care work by women, asset ownership and entrepreneurship. In terms of some easy fixes, there are unused data, but that governments need to invest more in analysis and that open access to data can help. However, he also warned that capacity building can only go so far without sufficient prioritisation, noting that only 37% of countries have a gender statistics coordinator, and only 1 in 7 countries have legal basis for collection of gender statistics. He also emphasised the importance of understanding the gender impact of budgets and expenditure allocations.

Points made in the subsequent interactive discussion included the following:

- The importance of public-private partnerships (PPPs) in generating data. It was suggested that the private sector is willing to cooperate, but would need open data standards provided by the global statistical community. It was expressed that PPPs should not be thought of as competing arrangement but as tools of finding synergies.
- Another theme was on improvements in the granularity of data on financial flows. One example was the IMF work on the legal identifiers for banks. It was suggested to extend these to other institutions, or even for households, businesses and government departments. This chimed with the discussion on the missing data on beneficial ownership in business registries. Other information emphasised was 'to whom, from whom' information, sub-national geographical data on FDI, as well as currency, maturity and interest rate disaggregation of data on public and private debt instruments.

- Privacy and confidentiality was also discussed. Robust legal protections for data security and privacy were mentioned as enabling citizens and businesses to trust data gathering initiatives. The independence of national statistical offices was also highlighted. At the same time, it was mentioned that being unable to share individual and firm level data might prevent important activities such as checking bilateral discrepancies between the home and host country of foreign direct investors, or verifying trade statistics.
- Some participants suggested a ‘New Data Deal’ which would clarify data ownership, especially for data generated by people’s daily activity.
- It was also extensively discussed that many countries still needed to get the basic data and information flowing and that investments, including from ODA, in national statistical capacities and offices would be critical. New technology could help.
- Additional areas of missing data were mentioned, including: business-to-business and peer-to-peer transactions; good benchmarks for understanding the biases in big data; environmental statistics; disability-disaggregated data; corporate sustainability data or green bond indexes; data on philanthropic investments; and investment opportunities and rules. Also mentioned were cooperation of international agencies to make sure they were on the same page, use big data in service of Know Your Customer rules on remittances, and the impact of open data and open contracting on corruption.

**Session 8: “Enabling and conducive governance, including global economic governance” (11 December 2011)**

The panel was moderated by Mr. Olav Kjørven, Director for Public Partnerships, UNICEF. Panelists included Mr. Barney Frank, former US Congressman; Ms. Simone Monasebian, Director, UN Office on Drugs and Crime, New York Office; Mr. Aleksei Mozhin, Executive Director at the International Monetary Fund (Russian Federation); Ambassador Eduardo Galvez, Director-General of Multilateral Affairs, Government of Chile; Ms. Alexia Latortue, Deputy Assistant Secretary for International Development, US Treasury; and Mr. Roberto Bissio, Executive Director, Instituto del Tercer Mundo, Uruguay.

Mr. Olav Kjørven set the scene by highlighting the need for more effective governance arrangements at the local and global levels, due to the growing ecological footprint, social unrest, and competition between countries and other actors.

Mr. Barney Frank questioned how countries could be persuaded to be cooperative at the international level, given that international cooperation often implies that countries have to take actions that they would not otherwise choose to take. He observed a general trend away from multilateralism in the United States and Europe and less willingness to give up some sovereignty for the sake of international cooperation. General discontent and goodwill in the population was fueled by growing inequalities within countries. In that

context, Mr. Frank pointed out that skepticism on foreign aid was on the rise in the United States. He also argued that it would be difficult to retain the support for foreign aid from people with liberal values when recipient countries violate basic human rights. Moreover, he called on countries not to use complex financial instruments that were poorly understood, even in the developed world, and emphasized the importance of domestic regulations and institutions, such as the Consumer Protection Agency in the United States.

Ms. Simone Monasebian, argued that to convince countries to give up parts of their power success stories would have to be identified and shared. A case in point was the UN Convention on Corruption, which introduced important ideas such as peer review mechanisms. She elaborated on UNCAC's review mechanism which includes 173 States, with over 50 per cent having already completed the review. The review would allow the Convention to tailor technical assistance to particular needs of countries and engage a wide range of stakeholders. Moreover, it also contributed to increased South-South cooperation and to the development of sets of reliable data. To date it had has trained 1,500 anticorruption experts globally.

Mr. Aleksei Mohzin highlighted that the quota and governance reform is stalled due to refusal by the US Congress to ratify the 2010 reform package. He described the evolution of the quota determination process, which until 2008 consisted of five formulas that were non-linear and non-transparent. The panelist likened the old formula to a black box. He suggested that the current process is more transparent. It uses a linear formula with four variables: GDP (50 per cent), openness (30 per cent), variability (15 per cent) and reserves (5 per cent). The openness variable creates a bias against large countries and favours small open economies. Mr. Mohzin further warned about too much optimism for significant change since the global economy was currently in bad shape and would not provide a conducive environment for reform.

Mr. Eduardo Galvez suggested that there was general agreement on the significance of domestic governance. He highlighted the importance of a global enabling environment for domestic policies to achieve sustainable growth, and emphasized that the discussion in Addis Ababa should not lose focus on systemic issues. He argued for reform of the relevant global institutions. In addition, Mr. Galvez appealed to Member States not to make decisions outside universal institutions, which would marginalize the UN. He also highlighted that Monterrey was not about financing the MDGs, but about how to support countries in achieving their goals through a broad framework, including trade and other means of implementation. To achieve progress on systemic issues, it would be important to secure the participation of Heads of States; otherwise, Finance Ministers might not engage sufficiently with the process.

Ms. Alexia Latortue emphasized that global economic governance continued to evolve. She recognized the fragmented character of the multilateral architecture. However, global economic governance did not need to be monolithic. In recent years global economic governance structures had changed significantly. Although some areas of reform have stalled, many important reforms have been implemented. For example, China has become

the third largest shareholder at the World Bank, while Africa has gained an additional seat on the Board of Executive Directors. Another important change was that emerging economies like China, Indonesia, and India were contributing funds to concessional windows, thereby shaping the policy arena. The G20 would be a critical place to discuss global economic issues, but challenges of small countries should be considered as well. She highlighted potential trade-offs between representation and effectiveness. She also pointed to issues related to common values and norms, e.g. in the field of human rights, environment and procurement.

Mr. Roberto Bissio focused on the governance requirements for public-private partnerships (PPPs). He described studies from OECD countries, where PPPs are often more expensive than standard public projects. He urged Member States to consider alternatives to channel resources for infrastructure financing and pointed out the need for more transparency and oversight over blended finance, as well as stronger due diligence before PPPs were established. He further explained that when governments need to cut budgets they could not phase out PPPs because they would become subjects to Investor-State Dispute Settlements. The panelist cautioned against using PPPs in developing countries, given that they often failed in OECD countries and suggested adding another “P” to PPPs, which would stand for “people”.

Points made during the subsequent interactive discussion included the following:

- It was stated that it would be important for the post-2015 development agenda to place a strong emphasis on the role of governance, and the importance of both domestic and international governance.
- Several Member States emphasized the need for better representation of developing countries in global economic governance. They called for a reform of the international financial institutions and highlighted the need for policy space for developing countries. In addition to representation, the role of transparency and accountability for governance was pointed out.
- The importance of the rule of law was stressed and calls were made for stronger cooperation to prevent tax evasion and illicit flows. Member states asked about practical steps that the Addis Ababa Conference could promote to address corruption and stability for entrepreneurship, innovation and investment.
- The importance of capacity building to strengthen data collection and statistical analysis, as well as the potential for technology transfer, were emphasized by several Member States.
- Some Member States highlighted the need for the G20 and G7 to consider the interests of smaller economies. Civil society representatives proposed that instead of governments waiting for the G20 or the FSB to reach out to them, the multi-stakeholder dialogue in the FFD process should be further developed by having regular meetings that would bring together all relevant stakeholders.

- Business sector representatives suggested that more countries should adapt IFC standards. It was also recommended to take a balanced approach to PPPs and consider options to strengthen implementation, including the use of ODA to leverage private finance and build domestic capacities for project formulation and implementation.

### **Session 9: “Learning from partnerships” (12 December 2014)**

The session was moderated by Dr. Barry Herman, Visiting Senior Fellow at the Graduate Program in International Affairs of The New School in New York. The Hon. Birima Mangara, Deputy Minister of Economy, Finance and Planning, Senegal, delivered keynote remarks. The panel included Prof. Jeffrey D. Sachs, Director of The Earth Institute, Columbia University; Dr. Naoko Ishii, CEO and Chairperson of the Global Environment Facility; Dr. Mercy Aunon, Special Representative to GAVI-eligible countries at GAVI; and Mr. Nick York, Director of Country, Corporate and Global Evaluations, World Bank Independent Evaluation Group.

In his remarks, Minister Mangara spoke about the importance of crafting national sustainable development financing strategies to support a country’s development ambitions, using Senegal’s *Emerging Senegal* plan as an example. Such strategies need to be inclusive, involving all relevant stakeholders, and integrative, addressing the three dimensions of sustainable development. He noted that Senegal’s plan drew on different sources of financing, including international cooperation, innovative financing schemes and public-private partnerships, and also led to the establishment of a strategic investment fund and a national development bank. The plan ultimately aims to transform and modernize the Senegalese economy. He also stressed that given the considerable amount of remittances flowing into Senegal, policymakers are hoping to design mechanisms to enhance their developmental impact, though this has not yet been achieved.

The moderator then presented the guiding questions proposed in the briefing note to the panel. He reminded panellists that the objective of the meeting was to learn lessons from existing funds and partnerships to better understand the contributions partnerships could make in financing the post-2015 development agenda. He also stressed the difference between the global partnership for development, as embodied in both MDG 8 and the Monterrey Consensus, and partnerships, which are of a multi-stakeholder nature and which are set up to meet specific goals or priorities. The global partnership had ODA at its core and was a compact of commitments of Member States, whereas partnerships build on the cooperation of a much wider range of stakeholders.

Prof. Jeffrey Sachs agreed with the moderator on continued need for international public finance, which could not be substituted by private financing flows. He noted that complementarity between public and private financing was at the heart of partnerships. He then focused his presentation on three kinds of public-private partnerships: (i) partnerships for delivering services for the poor, including health and education, (ii) partnerships for deep technological change, and (iii) partnerships for large-scale development of energy systems and infrastructure. The first kind of partnership was

exemplified by GAVI and the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria, where private companies provide technologies, diagnostics and medicines, often on an open license basis, and worked closely with the public sector and public financing, supplanting numerous bilateral projects with much higher transaction costs. He suggested the implementation of such partnerships in other sectors, particularly in education. In the area of research, development and diffusion, public involvement would be critical to achieve technological breakthroughs, e.g. in the area of low carbon energy. Finally, public private partnerships would play a key role in infrastructure, where private investment needs public sector guidance. He highlighted that the Addis Ababa Conference would be a unique opportunity to frame such partnerships and to unlock savings for sustainable development investments.

Dr. Naoko Ishii recalled the Global Environment Facility's history in servicing several multilateral environmental agreements, and noted its experiences with partnerships between public and private agents. Based on these experiences, she suggested that public-private partnerships could play a key role in three critical areas going forward: energy systems, cities, and land use. Specifically, such partnerships would allow to reduce private sector risks and thus facilitate innovation and investment; could help to break down silos within national governments and contribute to mainstreaming environment sustainability into national policies; and could contribute to providing global public goods, such as in the areas of climate and oceans.

Dr. Mercy Ahun presented the GAVI achievements as an example of a successful and unique model of international public-private partnerships, operating in the poorest and conflict-affected countries. GAVI supports country priorities and plans, while following WHO recommendations, and thus follows a country-driven approach. It also explicitly aims for graduating countries and contribute to their transition to self-financing once this is feasible. In addition, GAVI helped shape the global vaccine market through large-scale financing, allowing it to provide vaccines at lower prices. In addition to working with the private sector, GAVI also cooperates closely with the UN system, civil society and private philanthropists. She also noted that GAVI was aware of the risks of a silo approach. For this reason, it puts emphasis on national ownership of its country programmes.

Mr. Nick York presented findings of 23 evaluations of partnerships conducted by the World Bank, and highlighted both strengths and weaknesses associated with the partnerships they have studied. He noted that partnerships provided opportunities to leverage the strengths and expertise of stakeholders, and were often effective in raising the profile of specific issues. However, there was a concern over fragmentation. Partnerships also sometimes found it difficult to align their funding with national priorities. He noted that partnerships were very rarely closed down, even in cases when the level of engagement is falling over time, leading to a highly fragmented landscape. In many cases, there were also concerns over governance. He also noted that global funds often fall short on country ownership, though there has been great progress in this area. Explicit agreements on the division of labour between global funds and other actors could help, and valuable lessons had been learned in this regard in the health sector. Finally,

there are concerns over weak monitoring structures, with clear goals and indicators and data lacking. In view of these experiences, he suggested that more discipline was needed in setting up new structures, and that these should perhaps contain sunset clauses. He also called for common standards for transparency and accountability.

Points made in the subsequent interactive discussion included the following:

- Participants differed in their views over the potential contribution of domestic public-private partnerships, as often employed in infrastructure, to financing the post-2015 development agenda. Both successful examples – where national public actors had ownership over projects and programs and successfully levered private sector resources and knowledge – and failed projects, including in developed countries, were mentioned. Some cautioned that such modalities, if unsuccessful in developed countries, were unlikely to succeed in developing countries, and that private sector engagement was not likely in areas where investments would not generate a market return, for example in education.
- With regard to global partnerships, several representatives highlighted the importance of aligning their activities with national priorities. The use of country systems was also seen as critical. According to several speakers' country experiences, this was not always the case in practice. There were also calls for more transparency and better data to facilitate more effective assessments of their performance. It was proposed that guidelines and principles of good practice for partnerships – both traditional project-based public-private partnerships and global multi-stakeholder partnerships to implement specific development priorities – could be an outcome of the Addis Ababa Conference.
- There was agreement that both bilateral and multilateral approaches had a useful role to play in development cooperation. However, some participants suggested that a greater emphasis on multilateral approaches, without setting up a large number of new institutions, could make development cooperation more effective.

#### **Session 10: “Follow-up process” (11 December 2014)**

The session was moderated by Mr. Alexander Trepelkov, Director, Financing for Development Office, UN DESA. Panellists included H.E. Ms. María Castro, former Minister of Finance, Guatemala; Mr. Amar Bhattacharya, Senior Fellow, Brookings Institution; and H.E. Mr. Oscar de Rojas, Director of Global Partnerships and Professor of International and United Nations Studies, Long Island University.

In his introductory remarks, Mr. Alexander Trepelkov gave an overview of the evolution of the Financing for Development follow-up process since Monterrey and Doha. He highlighted the multi-stakeholder dialogue as a distinctive feature, but also pointed out that the process has been losing momentum and suffered from diminished returns. Previous reform proposals were unsuccessful due to lack of political consensus. Mr. Trepelkov emphasised the need for an effective follow-up process to ensure effective

monitoring of the implementation of the agreements to be reached in Addis Ababa. He argued that the follow-up process would have to be 'fit for purpose', reflecting the evolving global development cooperation landscape, addressing all dimensions of sustainable development, seeking coherence with other financing streams and developing linkages with other modalities. Further issues to be considered would be the integration of non-financial means of implementation of the SDGs in the FfD agenda; interrelationships and synergies between financing streams, sources and actors; and convergence between Monterrey, Rio+20, and the post-2015 follow-up.

H.E. Ms. María Castro stressed that financing for development should be seen as a means of implementation of the post-2015 sustainable development agenda, not as an objective in itself. A special focus of the Addis Ababa Conference should be on national public financing. The UN could have a strong role in promoting international cooperation to prevent tax evasion and ensure the participation of LDCs in this process. Ms. Castro further emphasised the need for institutional partnerships, particularly with the new financial institutions. Strengthening the follow-up process would require strengthening the partnership between the UN and the Bretton Woods Institutions further to ensure sufficient resources for sustainable development financing. Leadership would be needed both at the national level among governments and ministries, as well as at the international level. In this context, Ms. Castro urged Finance Ministers to actively participate and contribute to the Addis Ababa Conference.

Mr. Amar Bhattacharya highlighted that the Addis Ababa Conference would be one of the three main events in 2015 to reshape the global partnership for development. The national level would be the centrepiece for action, not only through domestic resource mobilisation, but also in directing aspirations, setting the regulatory framework and fiscal policies, establishing public private partnerships, stopping unproductive subsidies and ensuring sustainability. In addition, collective action at the international level will be needed to support national actions and to establish accountability frameworks. Topics such as ODA, tax cooperation and other systemic issues are not only dealt with by international financial institutions, but also a large range of institutions including the OECD, G20 and the Financial Stability Board, which underscores the importance of an international conference. However, the UN should maintain its central position and integrate different positions. The Addis Ababa Conference would have the potential to strengthen the follow-up process. To realise the potential, it would be important that all stakeholders feel committed to the FfD process. This could be achieved through close engagement and inclusion already at the preparatory stages. Overall, the follow-up process should be seen as a continuous process that should not depend on a conference every few years.

H.E. Mr. Oscar de Rojas asserted that, despite earlier attempts, the FfD process did not result in the creation of robust follow-up mechanisms. In his opinion, the best solution for the follow-up process would have been to assign the responsibility for monitoring and follow-up to a special functional commission of ECOSOC. He emphasised that systemic issues would be an integral part of the FfD process, especially the coherence of the international monetary and financial system in support of development. Based on its

universal membership, the UN would be in the best position to allow for a legitimate participatory approach. For the follow-up process, one example to tackle systemic issues would be international cooperation on tax matters as an essential component to tackle inequality within and between countries. The success of the FfD process in addressing systemic issues would lay the ground for a successful post-2015 development agenda.

Points made during the interactive discussion included the following:

- Many delegations emphasised the need to view the Third International Conference on Financing for Development as part of the post-2015 development agenda and to ensure that the FfD follow-up process would feed into the monitoring and accountability framework.
- Several speakers referred to the difficulties in obtaining data to monitor the implementation of agreed measures. It was pointed out that in the current framework the UN cannot monitor progress at the country level. Strengthening capacity in data collection and processing would be an important component of an effective follow-up mechanism. A global fund to support domestic capacities for data collection and processing was proposed.
- Some speakers stated that the Addis Ababa Conference would be the third and probably last chance for the implementation of an FfD commission. Calls were made for leadership on this matter.
- Civil society representatives called for the implementation of a robust accountability framework that would hold governments accountable both to other governments and civil society. It was pointed out that developing countries should not be overburdened and that the framework should be built on six principles: participation, human rights, equity, transparency, access to justice and law, and accountability.
- Business sector representatives highlighted the importance of the link between national and local governments for accountability. They further stressed the role of technology for the dissemination of data on successful projects and for monitoring purposes.

## **Conclusion**

The two co-facilitators of the preparatory process for the Third International Conference on Financing for Development thanked all participants for their contributions to the deliberations. They reiterated the importance of the Addis Ababa Conference as a major stepping stone toward a successful Summit on the post-2015 development to be held in September 2015.

In their closing remarks, they outlined some of the key points made during the eight days of substantive informal sessions held from October to December 2014:

- The Addis Ababa Conference should address both the unfinished business of the Monterrey Consensus and Doha Declaration on Financing for Development, as well as new and emerging challenges.
- The mobilization and effective use of all financing sources in support of sustainable development will be crucial, including national and international, public, private and blended financing flows. All sources will have to complement each other. ODA will remain critical and relevant, but will not be sufficient given the magnitude of the agenda.
- The comprehensive vision of sustainable development articulated in the outcome document of Rio+20, focusing on the eradication of poverty and integration of the economic, social, and environmental dimensions of sustainable development, and the proposal for Sustainable Development Goals, will all be taken into account in the preparations for the Addis Ababa Conference.
- The Addis Ababa Conference should be a “Monterrey plus”. It would feature new elements, including sustainability and universality. In this regard, financing gaps in important areas for sustainable development, such as infrastructure, SMEs, innovation, and clean technologies have been stressed.

The co-facilitators acknowledged the various concrete proposals made in many areas during the substantive informal sessions, which could contribute to a strong strategic framework for financing sustainable development, including the Sustainable Development Goals. They stressed that the main task going forward is to reach agreement both on the updated framework and on concrete deliverables.