



Spain comments on the UN Document

“Preparatory process for the 3rd International Conference on Financing for Development”

OVERVIEW

1. We welcome the UN document *“Preparatory process for the 3rd International Conference on Financing for Development”* sent by the co-facilitators and the UN Secretariat. This document includes the major challenges the international community faces regarding development financing as well as useful proposals both at national and international levels.
2. Spain supports the idea that the whole process should be an effort shared by all. **We would as well suggest that for each policy idea, subdividing actions in two categories: domestic and international.** This will give clarity on **who should be doing what** and facilitate to progress on action plans.
3. In a global scenario of limited resources and economic crisis, **all means of implementation, both financial and non-financial**, deserve to be taken into account. All of them must be addressed in the Addis Conference.
4. We understand that **action plans or next steps documents** have to be present in the outcome papers in Addis Abeba. Taking into account that for each of the building blocks some policy suggestions are going to be discussed in Addis, an evaluation of the progress since Monterrey should be prior carried out.
5. Define, as far as possible, particular responsibilities for policy proposals **on a consensus basis** and the institution or agents that will be in charge of policy implementation.
6. As stated in Monterrey, each country has primary responsibility for its own economic and social development; national ownership and leadership remain strong principles. In Addis, the international community should agree on detailed proposals at the international level regarding Means of Implementation. However, selecting proper objectives and indicators at national level will be a challenge.
7. We need to be realistic on the outcomes from the Addis Abeba Conference. We should not try to create a “one-size-fits-all” template. We must admit that achieving sustainable development will have to take into account different country situations. At the same time, **we will have to set priorities for the outcomes of Addis. Addis should be more policy focused than money focused.** Taking into consideration the wide scope of the agenda (broader than the MDGs) it might drive us to frustration if we don’t focus ourselves on policy priorities that could have a big impact on development and on policy coherence.
8. **The final agreement in Addis should have a comprehensive approach.** It should be built on the Monterrey Consensus and the Doha declaration and have a fair balance between international action and domestic action.



9. Spain believes that **good governance at global level and multilateralism** will be key factors to implement an appropriate financing for development system. It is therefore mandatory to improve the coordination between the **United Nations and International Finance Institutions**.

10. Finally, it is necessary to ensure **proper consistency between the process of financing for development and other ongoing processes within the United Nations**. Only a close relationship between development financing and the Post 2015 and Climate agendas will face the coming challenges consistently and effectively.

DOMESTIC PUBLIC FINANCE

11. We agree on the **major challenges** included in the UN document and on the **suggested policy ideas**.

12. It is important that all countries commit to optimising their domestic resources mobilisation where domestic taxation is an important component of these resources. But we have to be careful **not to overestimate the potential of tax policies reforms in developing countries**.

13. Spain welcomes the UN proposal willing to set a target for all countries on tax-to-GDP ratio. However, **before setting this target an in-depth analysis of partner countries' room for manoeuvre should be carried out**. Moreover, this tax-to-GDP ratio should be set on a country-by-country basis taking into account their circumstances and development levels/needs.

14. We **do not share the idea that a single ratio should be defined for groups of countries** (LDCs, UMIC, LMIC.)

15. Spain also **welcomes support to strengthening capacity in tax administrations and increasing ODA for tax capacity**. We stress the fact there is a wide scope for action in the field of **technical cooperation, legislation, exchange of best practices and support in taxes design**. Other important tasks are: to facilitate tax expenditures data dissemination, to ensure civil society participation, and to promote transparency in decision-making processes regarding taxation.

16. Spain supports and welcomes the **Extractive Industries Transparency Initiative (EITI)** standard as an effective tool to fighting illicit flows and increasing domestic control of natural resources. We also support other initiatives of transparency in other economic sectors.

17. Spain, in line with EU, supports **further international cooperation** on corporate tax rates so as to prevent a race to the bottom. **Promoting a transparent, cooperative and fair international tax environment** is also necessary to tackle tax evasion and to implement tax reforms.

18. Spain welcomes **the international progress achieved in the exchange of tax information** and bank account information, including automatic exchange, where we are actively participating in the framework of G20. However **we recognise the operational challenges involved in extending such arrangements globally** and must find a solution for all countries (exchange of information on request could be a helpful medium-term objective).



19. Spain underlines the need that further negotiation documents should include and refer to **“tax havens and non-cooperative jurisdictions”**. Tax havens significantly increase systemic risk in the international financial markets and erode the revenue capacity of states. They also increase the inequality in the formal quantitative and qualitative distribution of tax burdens.

20. Alternatively, **a participatory broad-based dialogue on international tax cooperation including the UN, G20, IMF, OECD, World Bank and regional forums** could be strengthened.

DOMESTIC AND INTERNATIONAL PRIVATE FINANCE

21. We agree on the **context overview** included in the UN document.

22. In line with the EU, we would like to see **more specific proposals on the regulatory framework that is needed for a thriving MSME community**, such as supporting the formalization of the informal economy. We should pay special attention to **domestic financial sector** development and sustainability.

23. In Addis, the international community should focus on **linking financial inclusion with remittances issues**, as remittances may provide a stimulus to achieving a better inclusion and financial education within communities. Moreover, **the G20 plan to facilitate remittance flows represents a useful base for setting a target** to lower the cost of remittances.

24. International Cooperation has an important role in supporting the promotion of **consumer protection associations**.

25. In line with the EU, we support **increasing focus on sustainability of the private sector**, including sound national governance, appropriate national rules on public procurements, respect for **international core labour standards of the ILO and the UN’s Guiding Principles on Business and Human Rights**, multilateral environmental agreements, Environmental, Social and Corporate Governance reporting, comprehensive reporting on social and environmental performance, and schemes and labels on products and services that can provide economic, environmental and social benefits.

26. Respect for **Corporate Social Responsibility** standards should be encouraged. To this end, the **Global Compact** is a key UN body and should play a key role in the next few years.

27. As also noted by the EU, **fostering long term investment should be a policy priority**.

28. **Blending mechanisms can maximise the development impact of private investments** and channel more private capital into sectors that are crucial for development, including energy, agriculture, green innovation, ICT and transport. **Blending mechanisms should also foster local businesses in developing countries**.

29. Spain would like to **improve transparency in investments by institutional investors** including information on environment, social and governance (ESG) criteria.



INTERNATIONAL PUBLIC FINANCE

30. ODA will remain a key means of implementation for SDGs but there are other instruments, mechanisms and policies as important as ODA and **we would recommend not focusing the debate on ODA.**

31. Moreover, beyond quantity, we should focus on quality. We need development effectiveness principles to be embraced by all according to Busan. On ODA, we have been very focused on disbursement figures and **we need more focus on effectiveness and results.** Spain has made great advances in aid effectiveness through the elaboration of Country Agreement Frameworks where development priorities are negotiated with partner countries.

32. **Emerging economies and middle-income countries**, especially upper-middle income countries, should also play a substantial role in the new international public finance arena and should also commit to international agreements on international finance for development.

33. Spain welcomes the call for **increased transparency** of all flows

34. ODA should be aligned **with partner country development priorities**

35. **Open and transparent discussions in the UN** of the proposed modernization of the ODA definition and the proposed indication of **“total official support for sustainable development” (TOSD)** could be held.

36. Different **degrees of concessionality**, determined by the recipient countries level of development, the type of programme being funded **and the agent receiving the funds could be considered.**

37. Grant assistance should be focused on countries most in need; “non-IDA-eligible” middle income countries remain eligible to receive grants in order to finance global public goods, and services according to their own priorities.

38. Spain would agree in reviewing the graduation criteria **only if we consider other indicators than the “per capita income”**, such as the Inequality-adjusted Human Development Index.. or Vulnerability Index or Multidimensional Poverty Index.

39. We believe there should be a fair risk–sharing between public and private sectors. **The World Bank’s Multilateral Investment Guarantee Agency (MIGA)** should be strengthened to enhance its risk mitigation mechanisms for sustainable development investments.

40. Although **their impact on development has been very low so far**, innovative financing mechanisms should be addressed thoroughly in the Addis preparatory meetings. Some of them can potentially contribute **to raise resources for sustainable development and international public goods**, such as the Financial Transaction Tax discussed currently at European level.

41. Regarding their implementation, Spain would suggest focusing **on a reduced set of high-impact mechanisms backed up by as many countries as possible** rather than trying to implement a large set of small-scale projects.



42. The UN should build upon the work by the **Leading Group on Innovative Financing for Development**, which is contributing to clarify the definition of Innovative Financing and share best practices among experts from different countries.

43. **Developing and middle-income countries** should commit to continuing and increasing their efforts in south-south cooperation, taking into account their new responsibilities at global level.

TECHNOLOGY, INNOVATION AND CAPACITY BUILDING

44. In some economic sectors, and especially in the **green economy**, public funding plays a key role in technological development. Therefore, **the role of the Public sector regarding innovation must be underlined** in view of the Addis Abeba Conference. The Public sector must influence innovation processes for sustainability by means of positive (such as PPPs, grants for research, etc) and negative (such as recycling policies) incentives.

45. Public policies should favour **the participation of citizens** in technological processes to increase the possibility of new forms of social innovation, such as crowdfunding and sharing economy projects. Potentially, social innovation can highly impact development and involve other actors such as local communities, local governments and NGOs.

46. Spain supports the need **to enhance the use of enabling technologies**, in particular **ICT**, to promote women and disabled people's empowerment and to increase international cooperation and collaboration on innovation, science and research.

47. The design and implementation of programmes to create **local technical capacities**, especially in the poorest countries, must be addressed. United Nations specialized agencies, funds and programmes with technology-intensive mandates must be encouraged to further promote the development and diffusion of relevant technologies.

SOVEREIGN DEBT

48. We agree on the major challenges included in the UN document. In line with the EU, we also consider that **the UN document lacks emphasis on ways for improving debt management** and borrowing and lending policies.

49. Because sovereign debt is linked to domestic resource mobilisation but is also linked to international (public and private) finance, discussions on sovereign debt should not be included under the more general "domestic public finance" section. **Discussions should also follow the recommendations of debt sustainability frameworks and assessments** (for donors and recipients).

50. We would like to see more concrete policy ideas on how to tackle the challenge: "Improving debt management and borrowing and lending policies" besides "adhering to UNCTAD Principles on Responsible Sovereign Lending and Borrowing". UNCTAD's principles are quite symmetric in their expectations of creditors and debtors, but have received limited attention from



private capital market participants. **There needs to be a unified set of guiding principles that are both balanced in their design and widely endorsed.**

51. On debt restructuring, in line with the EU, **we consider the IMF as the primary forum to discuss sovereign debt restructuring** issues.

SYSTEMIC ISSUES

52. Spain agrees on the need **to respect each country's policy space and leadership** to establish and implement policies for poverty eradication and sustainable development.

53. Spain supports **further enhancing the voice and vote of developing countries in the IFIs.**

MONITORING, DATA AND FOLLOW – UP

54. Spain largely agrees with policy ideas included in the monitoring, data and follow-up paragraph of the UN document.

55. A **single agenda** for SDG, climate and financing for development should be promoted.

56. Spain supports the **need to implement capacity building initiatives to strengthen statistics and data management bodies of partner countries.** This task should be carried out in accordance to national strategies for the development of statistics.

57. We support the **Global Partnership for Effective Cooperation for Development** as the main forum for discussion regarding a possible new Global Partnership for Sustainable Development.

SGCID, 12/02/2015