Save the Children's Input to the Zero Draft of the Outcome of the Third International Conference on Financing for Development

This document outlines Save the Children's proposals for overarching commitments and concrete language suggestions for inclusion in the 'Zero Draft' of the Outcome of the Third International Conference on Financing for Development (FFD3). It follows and builds upon Save the Children's initial response to the Elements Paper dated January 26 2015.

2015 is a momentous year for global development, for eradicating poverty, and for building more equal and sustainable economies and societies. The FFD3 is a critical moment within the year. We welcome the consensus that emerged during the January session of the FFD3 process that Addis Ababa must be a positive stepping stone for a truly transformative and ambitious post-2015 development agenda. A strong outcome at the FFD3 Conference will set the mood for success at the post-2015 Summit and COP 21 in Paris.

The Zero Draft should lay out the key shifts that are needed to maximise the quantity and quality of investment in sustainable development, accompanied by clear and specific commitments that will secure concrete progress on key issues.

The suggested language below is based on input from our experts and staff who work in more than 120 countries. It draws on our experience and knowledge that the lack of sufficient investment in children remains one of the biggest barriers to realizing children's rights. Children are more dependent on public services for their survival and development than other groups in society. One billion children are deprived of one or more essential services for their survival and development, underlying the importance and urgency of an ambitious and transformative outcome of Addis Ababa.

To this end, Save the Children urges the Co-facilitators of the Financing for Development process to consider the following for inclusion in the Zero Draft:

I. THE OPENING NARRATIVE

We respectfully urge the Co-facilitators to craft an opening narrative that clearly lays out the key defining shifts that will be required in the financing landscape to achieve ambitious sustainable development goals. To balance ambition with feasibility, these should be limited in number, and should be supported by specific agreement on key deliverables within the body of the Outcome Document.

Save the Children would like to propose five defining shifts for consideration by the Co-facilitators for inclusion in the opening narrative, building on aspects of the Elements Paper that are not only politically feasible, but also have potential to unleash maximum investment and channel it effectively to achieve sustainable development goals:

1) Recognition that sustainable development financing must have a strong, clear focus on tackling inequalities. Consensus is emerging under the post-2015 framework that no-one, and no group, should be left behind. Equity must be key to both the spending and sourcing of finance at national and international levels.

2) Recognition of the prime importance of public finance as a unique and indispensable driver of sustainable development at the national level, essential for delivering universal and quality healthcare, education, social protection and other quality services. Ambitious sustainable development objectives will not be fulfilled without a step-change in the growth of public revenue and its effective allocation back into public goods.

3) Recognition that action is needed to harness the contribution of the private sector to sustainable development. An enabling environment should be put in place for the private sector to meet its potential and be a force for sustainable growth and development. At the same time companies should work in a sustainable and responsible way, and regulations must be put in place to ensure adherence to principles of transparency, accountability and human rights.

4) Recognition that national funds will need to be backed up by increasing levels of international public financing, and from a range of sources. The nature of current sustainable development challenges means that aid and other forms of international public financing will still be required to fill critical gaps that other sources of finance will not fill.

5) Recognition that transparent, participatory and accountable governance at all levels is needed to maximize revenue for sustainable development. Immediate focus must be placed on bolstering transparency and participation so that citizens, including children and vulnerable groups, can engage in public financial processes and hold states to account for their management of public resources based on access to timely public information. Reform of the governance of the global financing system is also needed to tackle IFF, tax havens and profit shifting; on independent debt workout mechanisms; and to bolster transparency and accountability.

Save the Children would like to propose that the following language is included in the Zero Draft, with specific commitments to realize the five defining shifts presented in the opening narrative. These draw on text included in the Elements Paper, Doha Declaration and Monterrey Consensus, with the red text in brackets indicating new language that should be incorporated into existing texts. Several of the suggestions in red can be found in the Annex of the Elements Paper.

To start building a narrative around these transformative shifts, Save the Children suggests the following specific language to retain, [improve and include] in the opening narrative:

- '[The Addis Ababa outcome document builds on the principle of Leave No One Behind. The full package of the commitments on Financing for Development must support a development route in which 'no social or economic group is left behind by progress´]'
- '(…) commit ourselves to eradicate poverty, [reduce inequality], achieve sustained [and sustainable] economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system.' *(Doha Declaration, paragraph 1)*
- 'We also reaffirm the importance of freedom, peace and security, respect for all human rights, including the right to development, the rule of law, gender equality and an overall commitment to just and democratic societies for development (…)' (*Doha Declaration, paragraph 2)*
- '[We affirm our "Duty to the … children of the world, to whom the future belongs"]' *(Millennium Declaration)*
- 'Only an effort shared by all, at national, regional and international levels, will suffice to meet the SDGs and deliver sustainable development.' *(Elements Paper, paragraph 2)*
- 'Successful implementation [of the Post-2015 Development Agenda] will require an enabling domestic environment, including good governance, sound economic policies, solid democratic institutions responsive to the needs of the people, improved infrastructure, rule of law and national policy strategies that take account of the inter-relations between the economic, social and environmental dimensions of sustainable development and that are adequately financed.' *(Elements Paper, paragraph 3)*
- '[Transparent, participatory and accountable governance is an enabler of sustained, inclusive and equitable sustainable development]'
- '[We commit to meaningful citizen participation in decision-making, including children's engagement, to encourage shared ownership over and accountability for this agenda.]'

II. SPECIFIC PROPOSED LANGUAGE FOR 'LEADING ACTIONS' OR 'BUILDING BLOCKS' IN THE OUTCOME DOCUMENT

A. Domestic Public Finance

Children, who constitute more than 30% of the world's population, are dependent on a wide range of services. But the lack of sufficient, efficient and equitable public resource mobilization, allocation and spending to key areas of importance to children is a key barrier to providing children with the services and other rights they are entitled to. In addition to making budget allocation and spending gender responsive, the FFD3 Outcome Document should ensure that budgets are sufficiently disaggregated to make children visible in budget allocation and spending at all levels, enabling actors inside and outside of government to know how much is spent on children and to ensure equitable distribution.

Domestic resource mobilization, especially from tax, is the most sustainable and predictable source of public financing for investments in children. Improvements in the efficiency of national, public financial management, rooting out government corruption, and improving transparency are crucial to securing these resources, but to be effective, national-level actions must be supported by global tax reforms. One of the areas of global action to help low- and middle-income countries increase their tax take is to strengthen international tax cooperation to tackle Illicit Financial Flows (IFFs). If IFFFs are eliminated, the funds mobilised could result in getting to zero preventable child deaths 20 years sooner than under a business as usual scenario, without any change in spending patterns.[1]

Good governance is essential to achieving sustainable development: Increased financial flows are only part of the picture; *how* money is mobilized and spent are also important. Transparency and public participation are the cornerstones of effective, equitable and accountable resource mobilization, allocation and spending. Lack of transparency, combined with limited opportunities for public participation in governance, including fiscal processes, hinders public oversight and often provides a more conducive environment for corruption and leakages. Transparent, inclusive and accountable governance must underpin all financing to enhance legitimacy and effectiveness and will be necessary for both implementation and follow-up the Financing for Development agenda and SDGs.

Language to retain, [improve and include] under section on Domestic Public Finance:

- 'Domestic resource mobilization – public and private – is at the crux of financing for sustainable development. It is vital to achieving all the SDGs. In particular, public resource mobilization is essential for providing goods and services delivered by the government, including education, health, and food security, as well as investment in infrastructure.' *(Elements Paper, paragraph 11)*
- 'Good governance is essential to achieving sustainable development and reducing fragility and conflict. It includes democratic institutions, combating corruption, as well as transparency, participation, fair competition in procurement, and a strong enabling environment.' *(Elements paper, paragraph 15)*
- 'To advance towards the goals of the Monterrey Consensus [and the Post-2015 Development Agenda], policies that link economic and social considerations are required to reduce inequalities within and among countries and guarantee that the poor and vulnerable groups benefit from economic growth and development.' *(Doha Declaration, paragraph 13)*
- '(…) greater efforts are required for mobilizing more resources, as appropriate, to provide universal access to basic economic and social infrastructure and inclusive social services [including health and education], as well as capacity-building, taking special care of women, children, older persons and persons with disabilities in order to enhance their social protection. [We commit to adopt national child sensitive social protection floors.]' *(Doha Declaration, paragraph 13)*
- 'We will also continue to improve budgetary processes and to enhance the transparency of public financial management, and the quality [efficiency, and equity] of expenditures. *(Doha Declaration, paragraph 16)* [We will take steps to prioritize greater equity in budgeting processes, allocation of resources and expenditure. This will include the identification of groups that are the furthest from

---

[1] Save the Children (2014), Tackling Tax and Saving Lives – Children, tax and financing for development

achieving human development goals, and the equitable allocation of public resources to reach these groups. We will also create appropriate mechanisms for public participation, including for children and people from vulnerable groups, in budgeting processes. To promote national implementation of the Post-2015 Development Agenda, we encourage the publishing of budget breakdowns according to expenditure allocated to tackling the SDGs. Furthermore, budgets should be sufficiently disaggregated to make children visible in budget allocation and spending at all levels].'

- 'We will step up efforts to enhance tax revenues through [strengthened tax administration,] modernized tax systems, more efficient tax collection, broadening the tax base and effectively combating tax evasion. [In order to ensure that tax policies do not harm children, and disadvantaged and vulnerable groups, we commit to analyze and publish the distributional implications of tax policies, and minimize regressive effects. We will ensure that tax policies are progressively designed and implemented in a transparent and accountable manner]. We will undertake these efforts with an overarching view to make tax systems more pro-poor.' *(Doha Declaration, paragraph 16)*
- '[We will work to ensure that domestic oversight institutions, such as Parliaments, Supreme Audit Institutions and National Independent Human Rights Institutions, have the space and the human and financial resources necessary to effectively provide oversight and ensure accountability for commitments made to finance sustainable development and achieve the post-2015 Development Agenda]'
- 'Capital flight, where it occurs, is a major hindrance to the mobilization of domestic resources for development. We will strengthen national and multilateral efforts to address the various factors that contribute to it. [We commit to enhance financial transparency through public country-by-country reporting of corporate tax information and public beneficial ownership registries, as well as through multilateral, automatic exchange of tax information.' *(Doha Declaration, paragraph 20)*

B. Domestic and International Private Finance

The private sector can play an important part in ending global poverty and realizing children's rights. It can stimulate inclusive growth and create decent jobs; enhance access to essential services; develop innovations to address human and sustainable development challenges; pay fair taxes; apply expertise and resources to improve the lives of those most in need; and reduce environmental footprints.[2] States have a responsibility to ensure that non-state actors, including the private sector, respect children's rights in line with the UN Convention on the Rights of the Child. The Children's Rights and Business Principles can provide guidance to companies on how they can fulfill their responsibilities to respect children's rights directly and indirectly through their business operations.[3]

Remittances offer huge potential for financing socio-economic development. Remittances to developing countries were worth $400 billion in 2012, and are expected to grow.[4] However, on average the cost of remitting money absorbs 7.9% of the sum being transferred, and as much as 11.25% for remitting money to Sub-Saharan Africa.[5] While some countries have made fast progress to reduce the cost of remittances, overall reductions have been modest.

Language to retain, [improve and include] under section on Domestic and International Private Finance:

- '[We commit to] implement the UN's Guiding Principles on Business and Human Rights, [the Children's Rights and Business Principles], core labor standards of the International Labour Organziation, and relevant environmental standards, with enforcement and accountability mechanisms.' *(Elements Paper, Annex)*
- 'We welcome efforts to promote corporate social responsibility and good corporate governance. In

[2] Save the Children (2014), Framework for the Future - Ending poverty in a generation
[3] Children's Rights and Business Principles, http://childrenandbusiness.org/
[4] World Bank (2013), Financing for Development
[5] World Bank (Oct. 2014) https://remittanceprices.worldbank.org/sites/default/files/rpw_report_september_2014.pdf

this regard, we encourage the work undertaken at the national level and by the United Nations, including through the United Nations Global Compact, and the promotion of internationally agreed corporate social responsibility frameworks, such as the International Labour Organization Tripartite Declaration *(Doha Declaration, paragraph 27)* [The private sector is a key driver of development – creating jobs, innovating, providing products that meet development needs and paying taxes. Business activities obviously impact children, adults and the environment in many ways, so it is important that they are clearly understood and the consequences shaped so that negative impacts are minimized or mitigated. To increase accountability for these impacts, companies should be required to report on their social and environmental impact, including human rights impact and tax paid]'

- 'Remittances [~~have become~~] [continue to be a] significant private financial resources for households in countries of origin of migration. [We commit ourselves to reducing the transaction costs of remittances] *(Doha Declaration, paragraph 29)*

C. International Public Finance

The international community has a responsibility to assist other countries in their efforts to improve investment in sustainable development. However, most donors still have a significant way to go to meet international commitments, and there is need for further progress on aid effectiveness in line with Paris, Accra and Busan. If donors met their commitments, an extra $168 billion would be raised every year to contribute to the sustainable development agenda.[6] Official development assistance (ODA) is still a critical source of finance for poverty reduction in countries that do not have access to other revenue, making up approximately 70 per cent of total external finance for the world's least developed countries (LDCs).[7]

Language to retain, [improve and include] under section on International Public Finance:

- 'We reaffirm the essential role that ODA plays, as a complement to other sources of financing for development, in facilitating the achievement of development objectives, including the internationally agreed development goals, in particular [the SDGs].' *(Doha Declaration, paragraph 42)*
- '[The fulfilment of all ODA commitments is crucial, including the commitments by many developed countries to achieve the target of 0.7 per cent of GNI to ODA to developing countries, as well as the target of 0.15 to 0.20 per cent of GNI to Least developed countries. Those developed countries that have committed to, but not met their obligations, must to so in a timely manner.]'
- 'We welcome increasing efforts to improve the quality of ODA and to increase its development impact. The Economic and Social Council Development Cooperation Forum, along with recent initiatives, such as the High-level Forums on Aid Effectiveness, which produced the 2005 Paris Declaration on Aid Effectiveness, [~~and~~] the 2008 Accra Agenda for Action, [and the 2011 Busan Partnership for Effective Development Cooperation], make important contributions to the efforts of those countries which have committed to them, including through the adoption of the fundamental principles of national ownership, alignment, harmonization, [~~and~~] managing for results, [partnership, and transparency and shared responsibility].' *(Doha Declaration, paragraph 46)*
- [Currently, only 0.1 percent of ODA goes to support the development of tax systems in developing countries[8]. We affirm the importance ODA can play in strengthening tax capacity and provision of technical assistance, while assuring that all capacity building and technical assistance is demand driven, in line with national strategies and priorities, and not used to promote specific types of tax policies]
- [We recognize that climate change threatens to undo the progress we have made in human

[6] Center for Economic and Social Rights and Christian Aid (2014) A post-2015 fiscal revolution: Human rights policy brief.
[7] OECD (2013), cited in Glennie, J. and Hurley, G. (2014) Where next for aid? The post-2015 opportunity. UNDP.
[8] OECD (2014) Development Co-operation Report 2014 – Mobilising Resources for Sustainable Development

development and poverty eradication. We support efforts to ensure that all development finance is climate-sensitive, environmentally sound, mitigates risks and respects human rights. Sustainable development financing should not undermine the effort to limit global temperature rise to below 2 degrees or to adapt to the impacts of a changing climate.]

- [We reiterate our commitments to ensure additionality by fulfilling both ODA and climate finance commitments]

D. External Debt

When national debt becomes too heavy and governments struggle to meet their debt service obligations the consequences may be stalled economic growth and public expenditure cuts especially on social services such as education, health and social protection to children. Save the Children welcomes the focus on the impact sustainable debt financing has on the mobilization of domestic resources, and how it impacts sustainable development and the fulfillment of human rights. Responsible borrowing can generate additional revenue that governments require to deliver services to children. If countries are to avoid debt burdens that negatively affect investment in children, both lenders and borrowers should work together to ensure responsible borrowing and lending. It is of key importance that the FFD3 Outcome Document reaffirms the existing commitments in the Monterrey Consensus and Doha Declaration, and contributes to a constructive continuation of existing dialogues.

Language to retain, [improve and include] under section on External Debt:

- 'We acknowledge the need to continue to address all relevant issues regarding external debt problems, including through the United Nations, and we will consider ways to explore enhanced approaches of sovereign debt restructuring mechanisms based on existing frameworks and principles, with broad creditors' and debtors' participation and ensuring comparable burden-sharing among creditors, with an important role for the Bretton Woods institutions. [We commit to continue existing discussions on a multilateral framework for a [transparent and independent] sovereign debt restructuring].' *(Doha Declaration, paragraph 67)*
- '[We commit to] adhere to UNCTAD principles on responsible Sovereign Lending and Borrowing.' *(Elements Paper, Annex)*
- '[We will] initiate country-owned national debt audits in creditor and debtor countries.' *(Elements Paper, Annex)*

Save the Children
777 United Nations Plaza #3A, New York, NY 10017
Tel+1 (212) 370-2461 | +1 (646) 436-7763 www.savethechildren.net