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# FfD3 Bulletin

## A Briefing Note on the First Additional Session for the Preparatory Process for the Third International Conference on Financing for Development

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### BRIEFING NOTE ON THE FIRST ADDITIONAL SESSION FOR THE PREPARATORY PROCESS FOR THE THIRD INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT: 12-15 MAY 2015

The First Additional Session for the Preparatory Process for the Third International Conference on Financing for Development (FfD3) convened at UN Headquarters in New York, US, from 12-15 May 2015. Throughout the four-day session, delegates commented on a revised draft of the outcome document, the Addis Ababa Accord, which Co-Facilitators George Talbot, Permanent Representative of Guyana, and Geir Pedersen, Permanent Representative of Norway, had circulated prior to the session.

The revised draft outcome document consists of three main sections, addressing: a global framework for financing sustainable development; an action agenda; and data, monitoring and follow-up. The action agenda is divided into chapters addressing: domestic public resources; domestic and international private business and finance; international public finance; international trade as an engine for development; debt and debt sustainability; addressing systemic issues; and science, technology, innovation and capacity building.

Delegates offered general comments on the revised draft, and then conducted a paragraph-by-paragraph review of the text. Among the areas of tension that were revealed during the discussions were debates related to proposed text on infrastructure, fossil fuel subsidies, remittances, the rights of women to own land, fragile states, climate finance, South-South cooperation, Trade-Related Aspects of Intellectual Property Rights (TRIPs), the status of the outcome from the Open Working Group (OWG) on Sustainable Development Goals (SDGs), and adopting the FfD3 outcome with reservations.

This briefing note summarizes the comments and discussions during the first additional session for the preparatory process for FfD3.

### REPORT OF THE FIRST ADDITIONAL FFD3 SESSION

Co-Facilitator George Talbot opened the first additional session for the Preparatory Process for the Third International Conference on Financing for Development (FfD3) on Tuesday afternoon, 12 May 2015, and invited delegates to provide general feedback on the revised draft of the outcome document.

### GENERAL STATEMENTS

South Africa, for the G-77/China, welcomed the revised version, and said Suriname would represent the Group in the FfD3 negotiations. He recommended keeping the structure of the document in line with the structure of the Monterrey Consensus.

The European Union (EU) expressed concern that, despite including good language in the introduction, the revised draft: is built on the outdated North-South model; has weakened the environmental dimension; and has overemphasized the

economic dimension. He called for: operationalizing the principle of shared responsibility; mutual accountability, defined as transparency and accountability of all at all levels; and a single monitoring framework for the FfD3 and the Post-2015 processes, under FfD3.

The US said the draft has moved in the wrong direction, back to the North-South divide, and underscored the need to strengthen the focus on inclusion and people in fragile situations.

Both the EU and the Republic of Korea said development effectiveness principles – based on national ownership, transparency and inclusive partnerships – should be applied to all sources of finance and all actors, further stressing the need for stronger language on good governance, empowerment of women and gender equality.

The Republic of Korea expressed regret that some numerical targets, such as those on tax revenue or on provision of public services, were removed from the text.

Benin, for the Least Developed Countries (LDCs), underscored the need to: allocate 1% of official development assistance (ODA) to the Technology Bank for LDCs; full debt cancellation; and increase LDCs' voice and participation in setting global norms.

The Netherlands noted that the FfD3 outcome represents the implementation pillar of the post-2015 development agenda, this being the yardstick for its evaluation. Comparing the draft with a "Macedonian fruit salad, rich and nutritious and containing everything even though not everyone might like every fruit," he said the Member States' task is to maximize this mix of means of implementation (MOI) in a constructive, non-ideological and universal manner.

Switzerland expressed support for the structure of the document and congratulated the Co-Facilitators for having integrated all the MOI of the OWG on the SDGs outcome, adding that the environmental dimension needs to be further strengthened.

Mexico called for addressing the development challenges of Middle Income Countries (MICs) in the text. Liechtenstein said rule of law should be better reflected. Sweden said emerging economies should do their part in taking on commitments and highlighted the important role of civil society organizations. Israel underscored the need to maximize the benefits of entrepreneurship and highlight the role of small and medium-sized enterprises (SMEs) in promoting inclusiveness.

Noting that climate change is man-made, Germany stressed the need for ecological sustainability measures and stronger language on carbon pricing and fossil fuels subsidies. He also emphasized support to LDCs "due to their vulnerability."

Affirming that poverty cannot be eradicated without addressing energy poverty, Saudi Arabia highlighted that "this document deals with financing for development, so let us keep it for development." He said issues like climate change, new market-based mechanisms and carbon pricing are being discussed under the UN Framework Convention on Climate Change (UNFCCC), and bringing them in the FfD3 track would jeopardize the possibility to finalize the negotiations on the outcome document by mid-June, as planned.

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## TITLE

Regarding the draft title of the document, “The Addis Ababa Accord of the Third International Conference on Financing for Development,” the G-77/China supported retaining a focus on financing “for Development.” The US called for renaming the outcome the “Addis Ababa Action Agenda.”

## A GLOBAL FRAMEWORK FOR FINANCING SUSTAINABLE DEVELOPMENT

On the title of the first section, the G-77/China noted that mentioning “sustainable” represents a lack of coherence with the Monterrey Consensus. The EU proposed renaming the section “Implement the Post-2015 Development Agenda,” but the G-77/China said that title would narrow the scope of FfD3.

Regarding text that indicates the goal of FfD3 is “to eradicate poverty and hunger and to achieve sustainable development through promoting inclusive economic growth, protecting the environment, and promoting peaceful and inclusive societies,” the G-77/China said “peaceful and inclusive societies” should not be mentioned alongside the three dimensions of sustainable development. The EU stressed the need to retain the text. Canada, the EU and the US expressed reservations on text regarding “the right to development” as part of “human rights,” and called for addressing the rights of the children and investment in children in a paragraph that sets the goals of the outcome.

The G-77/China proposed deleting a paragraph that mentions that many countries have achieved important economic and social progress while strengthening policy and regulatory frameworks, and that developing countries’ share in world trade has increased and debt burdens in many poor countries have been reduced since the Monterrey Consensus. The EU, the Republic of Korea and Switzerland supported the paragraph.

On text that highlights that many countries, in particular least developed countries, still face considerable challenges and some have fallen behind, Japan supported a G-77/China proposal to include references to land-locked developed countries (LLDCs) and small island developing states (SIDS). Mexico supported a G-77/China proposal to reference the challenges of MICs. In response to a US proposal to reference “fragile states,” the G-77/China questioned the definition of “fragile states.” The G-77/China also proposed including countries in conflict and post-conflict situations and under foreign occupation, to which Canada, Israel and the US objected. Iceland, Mexico, New Zealand and Switzerland stressed that women should not be linked to marginalized groups and proposed stronger language on gender equality.

In text that mentions solutions to the challenges faced by many countries, Australia, Canada, the EU and the US proposed changes to strengthen language on peace and security, good governance, rule of law, combatting corruption, human rights, gender equality and resilience as important for sustainable development. The G-77/China called for indicating the issues should be recognized “at the international level.” The EU, Japan and the US supported deleting text noting that “We reaffirm all the principles of the Rio Declaration on Environment and Development,” while the G-77/China proposed additional text mentioning the principle of common but differentiated responsibilities (CBDR). The EU and the US said that proposal contravenes the principle of every country having the primary responsibility for its own development.

On text calling for strengthening support for the implementation of strategies and programmes of action such as the Istanbul Declaration and Programme of Action, the Samoa Pathway, the Vienna Programme of Action for Landlocked Developing Countries and the African Union’s Agenda 2063, Japan said that the selection should be limited agreements adopted within the UN system. The G-77/China called for

bracketing the reference to the New Deal developed by the G7+ group, while the US said the reference was very important because it addresses the needs of fragile states and states in conflict situations.

In a paragraph on cohesive nationally owned sustainable development strategies, the G-77/China proposed text indicating that each state has permanent, full sovereignty over its wealth and resources.

On text indicating that the “fundamental responsibility for organizing this global partnership lies with governments,” the G-77/China called for indicating that the partnership is based on CBDR, with North-South cooperation as its core and the private sector and South-South cooperation being complements. Germany, Japan and the UK expressed strong opposition to this proposal, with Germany recalling that the Co-Facilitators of the negotiations on the post-2015 development agenda “clearly asked for universality and national responsibility, which do not go well with CBDR.” The G-77/China explained that universality comes with differentiation in terms of responsibility, “which implies CBDR.” Japan said his country would not accept CBDR in the FfD3 agenda.

### MOBILIZING SUPPORT FOR THE POST-2015

**DEVELOPMENT AGENDA:** The EU and Japan said this sub-title should be deleted because it represents the scope of the entire section. Japan stressed that FfD3 should deal with the policy aspects of the post-2015 development agenda. Mexico said the section should be very clear about what FfD3 could bring to the post-2015 development agenda as the scopes of the two agendas do not mirror each other, and noted the need to make reference to technology transfer, capacity building and other MOI.

On text regarding social protection and essential public services for all, which mentions setting nationally appropriate spending targets on essential public services including health, education, and water and sanitation, Canada suggested replacing “spending targets” with “spending levels.” The International Monetary Fund (IMF) explained that it is not only about the quantity of spending but also its quality. The EU, US and IMF cautioned against singling out certain sectors and permitting countries to decide their spending priorities at the national level.

On scaling up efforts to end hunger, the G-77/China called for deleting a reference to primarily financing investment needs in agriculture, food production and fisheries through private sources, while others opposed. The G-77/China also called for replacing a sentence on “enabling domestic and international environments” with text that references a “strengthened policy framework supported by adequate international environment.” In a proposal to “substantially increase public investment” Japan called for using “public investment strategically,” while the US favored “strengthening” investment.

On establishing a new platform to bridge the infrastructure gap, Australia, the EU, the Russian Federation, the US and others expressed concern about this “new” initiative. Japan and the US called for deleting a sentence calling for “at least a doubling of annual investments” for sustainable infrastructure in developing countries from all sources in the next five years.

On boosting financial access for micro, small and medium-sized enterprises, the G-77/China called for the deletion of text that refers to the potential of new investment vehicles, such as development-oriented venture capital funds, potentially with public partners, and innovative debt funding structures and securitization, with appropriate risk management and regulatory frameworks. Japan proposed a new paragraph containing relevant targets under SDG 16, “Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.”

## ACTION AGENDA

**DOMESTIC PUBLIC RESOURCES:** On the title, delegates discussed whether it should refer to “finance” or “resources.”

On text regarding incorporating sustainable development and promoting equity in domestic policies, the G-77/China proposed deleting a reference to “promote and enforce non-discriminatory laws.” Switzerland suggested including, *inter alia*, text regarding better recognition of unpaid workers, while the EU proposed also considering “equality” in a sentence on promoting equity.

On text regarding enhancing revenue administration through measures such as modernized, progressive tax systems, the G-77/China proposed new language that included references to building productive capacity and access to modern technology. A few countries, including New Zealand, called for replacing ODA in the context of “substantially increasing ODA” with international cooperation, while others favored strengthened technical assistance. Norway proposed new text on not requesting tax exemptions.

On combatting tax evasion and substantially reducing and eventually eliminating illicit financial flows, some countries, including Canada and Turkey, stressed the need for language that respects the confidentiality of tax information, while the G-77/China called for halving them by 2020 and eliminating them by 2030.

The G-77/China supported a paragraph that invites the UN, IMF and World Bank, in collaboration with regional organizations, to publish official estimates of the volume and breakdown of illicit financial flows, and to develop the capacity to track “to whom, from whom” information on cross-border transactions. The US said the FfD3 outcome should not be “too prescriptive,” while the EU proposed replacing the paragraph with one from the previous version of the draft, which focuses on the full participation of women in the economy and on equal pay for equal work of equal value.

On text regarding countries relying significantly on natural resource export, the G-77/China proposed highlighting that “every state has full sovereignty over its natural resources,” called for capacity building for negotiating contracts, and requested the deletion of the reference to the Extractive Industries Transparency Initiative Standard. Australia, the EU, Germany and the US stressed that the Standard is of “utmost importance.” The US noted that these issues are extremely important for countries in conflict situations and fragile states, and recommended noting how heavily they rely on the export of natural resources.

On international tax cooperation, Colombia said the proposed automatic exchange of tax information should be multilateral. Mexico said it needs to be on “mutually agreed terms,” and Canada proposed language to protect the confidentiality of tax information. The US proposed G20 language regarding “public beneficial ownership” and noted that all companies need to comply with national tax regulations, not only the multinationals.

On tax cooperation mechanisms, France and the UK supported reference to the Global Forum on Transparency and Exchange of Information for Tax Purposes. The G-77/China called for establishing a network of regional tax inspectors, and suggested a “call from Addis” on increasing tax collaboration in a genuinely inclusive framework. On the UN Committee of Experts on International Cooperation in Tax Matters, the G-77/China stressed the need to upgrade the Committee to an intergovernmental body. Japan, Australia, Canada and others objected, and indicated concern about overlap and conflicting regulations. Canada suggested focusing on making the Organisation for Economic Co-operation and Development (OECD) more open to developing countries instead.

The G-77/China proposed deleting language that encourages Parties to the UN Convention against Corruption (UNCAC) to fully participate in the Mechanism for the review of

implementation of the Convention. The Group said UNCAC should prosecute corrupt businessmen and middlemen, while the EU said it should prosecute corrupt officials. The G-77/China, Lichtenstein and Switzerland proposed language on increasing “international” cooperation, with Lichtenstein and Switzerland encouraging the international community to develop regulations for asset return.

On spending resources effectively in support of country-owned national sustainable development strategies and the SDGs, the G-77/China proposed adding language on mobilizing sufficient resources from all sources and on reaffirming the sovereign right of countries over their natural resources. The EU and US welcomed the invitation addressed to Member States to join the Open Government Partnership, while the Russian Federation called for its deletion.

On social protection, the US and Canada called for “promoting” or “seeking to ensure” rather than “ensuring” social protection. Governments discussed which groups should be listed for receiving public services, with proposals added for women (Mexico), adolescents (Israel), and “those below the poverty line” (EU). The Russian Federation preferred a reference to “vulnerable groups” instead of all specific categories. The G-77/China said national circumstances present challenges to commitments in this area. The US proposed deleting a call for commitment of financial assistance and technical cooperation by 2030. Australia, the US, Japan and Canada proposed removing a reference to establishing a global fund. New Zealand proposed calling for a tax on harmful substances, noting the impacts of non-communicable diseases particularly in SIDS.

On text calling for the elimination of fossil fuel subsidies, the G-77/China noted benefits for developing countries and Saudi Arabia highlighted the scale of agricultural subsidies in developed countries, stating that attention to subsidies should be balanced. Other countries cited “negative side effects” of fossil fuel subsidies. Sweden recalled that the UN Conference on Sustainable Development (Rio+20) had recognized that such subsidies send “incentives in the wrong direction” and said they outweigh ODA.

On addressing the large financing gaps in areas crucial for sustainable development, the G-77/China proposed adding financial “literacy” to text on financial inclusion. The EU said the paragraph should include reference to regional development banks alongside the reference to national development banks (NDBs).

On responsibilities for revenues, expenditures and investments in sustainable development being devolved to the sub-national level and municipalities, the G-77/China said language that is “too prescriptive for the sub-national level” should be avoided. Regarding strengthening capacity, including in infrastructure development, Japan said the paragraph should refer to existing mechanisms. The EU, Switzerland and US stressed the importance of “resilient” infrastructure. Switzerland underlined the need for strengthening operational and maintenance capacity in addition to capacity for infrastructure development.

**DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE:** The G-77/China called for moving text related to domestic private finance to the proposed section on “mobilizing domestic resources,” explaining that the issue of private flows should be put in the context of national development. Australia said the conditions for promoting both domestic and international private finance cannot be separated.

The EU suggested highlighting that the private sector is a driver in building peaceful and resilient societies and proposed language on engaging partners in the development process in line with development effectiveness principles.

Australia called for deleting text calling on private actors to invest with the long-term horizon necessary for sustainable development and to shift to more sustainable consumption

and production, explaining that the sentence could be read as putting a burden on the private sector to invest in sustainable development rather than incentivizing it.

On businesses that embrace corporate social responsibility and take account of environmental, social and governance impacts of their activities, the G-77/China proposed deleting language on undertaking work with industry groups, regulators, international accounting standard-setting bodies and other stakeholders to identify industry-level metrics to frame sustainable development accounting principles consistent with the SDGs, noting a lack of common understanding of what those principles are. The US proposed listing what those principles would include, such as combating corruption and illicit flows or promoting human rights. He also underlined the voluntary aspect of business complying with environmental and social norms.

The EU proposed language on the importance of regulatory frameworks for all financial intermediation, from microfinance to international banking, concerning both the issue of solvency and terrorism financing and money laundering.

On remittances, Germany noted that they represent an enormous influx of money as they are three times larger than ODA, and said remittances should not be seen only as emergency aid but also as drivers for freeing up entrepreneurship. The G-77/China stressed that remittances are not resources to be used like foreign direct investment (FDI) or ODA.

The US noted problems with language such as “we will reduce,” which implies that governments have control over remittances, and proposed an alternative that introduces the concept of fragile states. Referring to the part of the text that notes that Member States “will address the most significant obstacles to the continued flow of remittances, such as the trend of banks withdrawing services,” he cautioned against suggesting that international bodies such as the UN would order the banking sector.

The Russian Federation called for the withdrawal of the US’s proposal on fragile states and of any reference to the concept in the outcome document.

Australia, the Republic of Korea, the Russian Federation and the US requested modifying the target for the reduction of the transaction costs of migrant remittances to less than 3% to less than 5%, explaining that the 5% target is agreed within the G20 and other fora. The G-77/China noted that the OWG proposal for SDGs had referred to 3%, but the US said “the 3% level was something that we did not have information on, it was an arbitrary number, and we no longer support it.”

On a paragraph on gender equality and women’s empowerment, the G-77/China called for deleting the reference to ownership and control over land and other forms of property and inheritance. Switzerland stressed the need to keep the reference. Egypt, for the Arab Group, underlined that “there are red lines that should not be touched if we want to reach our goals.” The G-77/China reminded delegates that, in adopting the OWG outcome, many delegations expressed reservations, and cautioned against creating the possibility of adopting reservations for the FfD3 outcome.

On financing for micro, small and medium-sized enterprises (MSMEs), the EU called for highlighting “women-owned MSMEs” and adding international and regional development banks to NDBs.

On the contribution that direct investment, including FDI, can make to sustainable development, the G-77/China called for replacing “when it is aligned with sustainable development and investors follow environmental, social and governance standards” with “while we encourage FDI to contribute to projects that are in line with national and regional priorities, where investors undertake environmentally and socially responsible corporate behaviour.” The G-77/China further proposed replacing a focus on prioritizing projects with

potential for promoting decent jobs with prioritizing projects with potential for full and productive employment and decent work for all, sustainable consumption and production patterns, structural transformation, sustainable industrialization, and productive diversification.

The US requested replacing text that refers to “positive spillovers from FDI, such as knowledge and technology transfer, including through establishing linkages with domestic suppliers and encouraging the integration of local enterprises into global value chains,” with transfer of know-how and knowledge of good practices and integration of MSMEs in global value chains.

On the paragraph on LDCs being sidelined by FDI flows, the G-77/China proposed adding a paragraph focused on SIDS, MICs and countries in conflict and post-conflict situations, and a paragraph that underlines that FDI should employ maximum local content, including human resources in technical and managerial positions.

The US proposed adding reference to “fragile states,” while the Russian Federation called for removing any reference or addition to “fragile states” in the document. In reply to the G-77/China’s statement that it does not understand the term “fragile states,” the US explained that there is a group (G7+) comprised of fragile states within the G-77/China and a paper on fragile states written by that Group, which explains the concept. The Russian Federation underscored that there is no common understanding about the G7+ group or the “fragile states” concept.

On the large gap in financing for resilient and quality infrastructure, in particular in developing countries, the EU, Canada, Iceland, Japan and the Russian Federation called for deleting any reference to a “new infrastructure platform.”

The G-77/China requested removing any reference to “resilient” infrastructure in the text, noting that the Group is not against resilient infrastructure, but needs infrastructure in the first place. He added that the Group would propose new language on the mismatch of national/investment priorities, misperceptions about investment environments, and insufficient technology transfer. The G-77/China called for deleting text calling for inclusive, open and transparent discussion on developing and adopting principles, guidelines and standardized documentation for the use of public-private partnerships (PPPs).

Switzerland proposed adding “sustainable” to “resilient” infrastructure.

Australia called for replacing text that “recognizes that public investment has a key role to play in infrastructure financing, including through development banks and other development finance institutions,” with “infrastructure investment gaps cannot be met without private funds.” She further proposed deleting the phrase that notes that PPPs should not replace or compromise state responsibilities, and should include clear accountability mechanisms.

On investment in energy infrastructure and clean energy technology, the G-77/China requested ensuring “affordable” modern and sustainable energy services for all by 2030 and adding LLDCs, MICs, African countries and countries under foreign occupation to LDCs and SIDS. New Zealand and Iceland proposed increasing the share of renewable energy and energy conservation and adding reference to South-South cooperation providers to text on regional and international development banks and bilateral donors. The Russian Federation requested deleting the reference to the International Renewable Energy Agency’s Global Renewable Energy Islands Network.

**INTERNATIONAL PUBLIC FINANCE:** On the title, the G-77/China proposed renaming the section “Increasing international financial cooperation,” while the Russian Federation proposed adding a reference to technical cooperation for development. On ODA, the G-77/China called for, *inter alia*: predictable, new and additional resources, including grants

(instead of scaling-up international resources); clarity and transparency of future financial support to developing countries; including a paragraph on MICs; replacing 0.15-0.20% of GNI to LDCs with 0.20-0.25% of GNI to LDCs; replacing “indicative timetables” with “binding timetables;” and deleting references to South-South cooperation and climate change. The G-77/China also requested adding references to MICs and states and people under foreign occupation to the list with LDCs, LLDCs, SIDS and African countries and deleting any references to fragile states or Sub-Saharan Africa. He further proposed text that affirms that “the proposal of redefining ODA and its allocation criteria will be discussed openly by all UN Member States, under the auspices of the UN, without affecting the commitments already made.”

Germany expressed concern about the G-77/China’s proposal to replace the paragraphs on ODA with those from the previous version of the draft outcome, arguing that rejecting compromise language does not help negotiations advance under the existing time pressure.

The EU requested bracketing text with timelines because of existing ongoing discussions on ODA in other fora, and deleting references to 2020 and other dates as “they are not realistic.” He also requested clarification from the World Bank and the IMF if all members of the listed groupings of countries – LDCs, LLDCs, SIDS, fragile and conflict-affected states, those in protracted crises and African countries – have limited capacity to raise resources domestically.

The UK highlighted that international public finance is one of the areas where Member States need to show that the world has changed “rather than rehashing old arguments.” Noting that ODA continues to play an important role, he observed the increase in South-South cooperation and added that, “if we are to increase financing anywhere, that should happen in the LDCs and in fragile states and states affected by conflict.”

The Republic of Korea said that, even though the importance of numerical targets is understandable, the difficulties encountered by some countries in meeting these timelines need to be acknowledged. He stressed the need for a credible, flexible timetable, such as “as soon as possible” and “in accordance with budgetary priorities.” He also proposed referencing the catalytic role of ODA.

Japan said the current text is unbalanced and places too great a role on ODA while overlooking other important international sources of public finance. He said that the text is therefore “neither transformative nor innovative,” and proposed including both concessional and non-concessional sources of financing.

Also on ODA, finance and cooperation, Canada, Australia, Japan and the US said they could not commit to specific quantities and timetables for providing ODA, nor to allocating a specific percentage to LDCs. Japan said that, as LDCs graduate and the number of OECD Development Assistance Committee countries continues to grow, a greater concentration of concessional financing will go to a smaller number of LDCs. India explained the “greening of ODA,” or growth in climate-related ODA, citing findings that up to 80% of ODA is double counted and much of it is directed to mitigation in MICs, not LDCs. He said non-diversion of aid toward climate mitigation and avoiding double counting are needed to reach the most in need. Discussing South-South cooperation, the G-77/China said it is voluntary, which makes it different from ODA. Germany said the categories are no longer valid.

On responding to climate change, the US and Australia rejected that climate finance must be separate from and additional to ODA, while the G-77/China said it is a UNFCCC agreement, also calling to add text that climate finance must not be “double counted” as ODA. The EU and Canada suggested that the UNFCCC agreement be “applicable to all” instead of the reference to CBDR. Iceland and the EU proposed referring to the Green Climate Fund’s gender action plan.

On the importance of biodiversity and the sustainable use of its components in poverty reduction and sustainable development, New Zealand called for “an overall increase of investment in biodiversity from all sources.” Australia requested the deletion of “and beyond” from the phrase expressing the commitment of Member States to realizing the Convention on Biological Diversity’s decisions on resource mobilization “for implementing the strategic plan for 2011-2020 and beyond,” explaining that the commitment is strictly from 2011 to 2020. The US recalled that it is not one of the Convention’s parties. Mexico proposed adding “where applicable” to “ensure the full implementation of international law, as reflected in the UN Convention on the Law of the Sea (UNCLOS).” Arguing that “not all of us are a party of UNCLOS,” Turkey said she would submit a proposal that refers to international law. Iceland proposed adding text on the UN Convention to Combat Desertification (UNCCD), noting that it is the only Rio Convention not mentioned in the text.

The G-77/China requested the deletion of the paragraph on building climate and disaster resilience considerations into development financing. Bangladesh stressed that climate funds should be separate from development funds. The US noted that it would be “counter-productive” to separate the climate and development streams, adding that climate resilience should be imbedded in all development aid. The EU stressed including the Sendai Framework for Disaster Risk Reduction and adding “biodiversity” after “climate change.”

The EU, the US and Turkey welcomed the paragraph on the need for coherence of developmental and humanitarian finance to ensure more timely, appropriate and cost-effective approaches. Turkey highlighted the need for “a new era of humanitarian and development cooperation.” The UK stressed the need for coherence between short-term disaster relief and longer-term sustainable development plans and for addressing the gaps between the frequency of disasters and the funds available for addressing them. The G-77/China called for replacing “man-made and natural disasters” with “crises and shocks.”

On mobilizing support for innovative sources and mechanisms of additional financing, Canada, the G-77/China and the US requested deleting a reference to “a financial transaction tax, carbon taxes or market-based instruments that price carbon, taxes on fuels used in international aviation and maritime activities, or additional tobacco taxes.” The EU proposed replacing a reference to multilateral development banks (MDBs) with “International Development Banks” throughout the text, explaining that many regional and NDBs are working internationally.

On methodologies to better account for the realities of MICs, the EU proposed adding reference to a strong monitoring and accountability framework. The G-77/China called for the deletion of the reference to risk-mitigation mechanisms.

On development banks, Japan and the US called for the deletion of the reference to the New Development Bank and the Asian Infrastructure Investment Bank. The US added that the text should welcome initiatives to expand the supply of finance, including through the establishment of new MDBs “that complement the current international financial institutions.” The G-77/China requested adding references to the Bank of Alba, the Bank of the South, and the Alba Caribbean Bank and deleting text on efforts by the MDBs to make the safeguards process more efficient and time-sensitive to ensure that public investment is aligned with sustainable development and contributes to the realization of the SDGs.

On the Global Environment Facility (GEF), the US specified that the GEF does not offer capacity building. The EU and the US called for deleting text on enhancing public and private contributions to the GEF in its 7th replenishment, and on supporting building capacity in developing countries,

especially LDCs and SIDS, to access available funds. The US explained that the UN is not the body to make decisions on the replenishment of the initiative.

On successful global multi-stakeholder partnerships in the field of health, the G-77/China proposed underscoring the importance of developing and enhancing health systems through an international enabling environment. The EU requested deleting the references to strengthening the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries and to the Global Financing Facility, while Canada stressed its “deep attachment” to the Global Financing Facility. The US supported capacity building for the training and retention of health workers.

On delivering quality education to all children, the G-77/China and the Russian Federation highlighted the need to reach all children, not only the most vulnerable, and called for deleting the specific reference to those “in fragile and conflict-affected states.” The US proposed deleting the reference to the Global Partnership for Education, arguing that the partnership is not the only measure through which education can be addressed.

On the poor living in rural areas, the US proposed language on transparency of land tenure, and said the call for the “Secretary-General’s High-level Task Force on the Global Food Security Crisis to coordinate the preparation of concrete proposals to improve food security and nutrition and scale up programmes for smallholder resilience” should be deleted or restricted to UN agencies. The G-77/China proposed an additional paragraph on the rights of all to “safe, sufficient and nutritious food” and to be free of hunger, and a paragraph on rural communities, stressing the need to revitalize the agricultural and rural development sectors.

On effort to improve the quality and effectiveness of all international public finance, Japan, the Russian Federation and the US proposed “accelerating” untying aid to the maximum extent, with Japan and the US proposing to “seek to” use pooled finance mechanisms. The EU, Mexico, the Netherlands, the Republic of Korea and the UK stressed the importance of development effectiveness principles.

**INTERNATIONAL TRADE AS AN ENGINE FOR DEVELOPMENT:** The EU said this section was improved compared to the zero draft and included better language on the World Trade Organization (WTO) and regional trade agreements. At the same time, she noted that “substantial room for improvement” remains, and suggested changes including: ensuring that the concept of sustainable development in its three dimensions is at the center of the discussion and strengthened; correcting references to the WTO process, such as to the exemptions for LDCs, special and differentiated treatment and Trade-Related Aspects of Intellectual Property Rights (TRIPs); and better reflecting the principle of each country having the primary responsibility for its development. Noting the “incredible” success of emerging countries in lifting millions from poverty and acting as “game changers,” she stressed the need for upper middle income countries to take on commitments and to promote duty free and quota free markets for products from LDCs. She said the EU disagrees with any language that might water down the prioritization of LDCs and will not accept fixing numerical targets for Aid for Trade, explaining that it is up to the LDCs to set the priority for the Aid for Trade that they receive.

On promoting a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the WTO, the G-77/China proposed replacing “equitable” with “transparent, predictable, and more inclusive.” The EU called for replacing “trade liberalization” with “trade opening” and emphasized domestic policies and environmental protection.

On multilateral trade negotiations in the WTO, the EU emphasized the need for compatibility with WTO rules. Canada, the EU and the US proposed including a reference to the trade

facilitation agreement for the LDCs, and deleting text that notes “the Agreement on Trade Facilitation is of particular importance for LLDC trade.” The G-77/China stressed the importance of that text.

On developing countries’ share in world exports, the G-77/China suggested replacing “significantly increased” with “improved” and adding: the commitment “to further integrate micro, small and medium-sized enterprises MSMEs and other forms of micro-organizations from developing countries in global value chains;” recognizing the need for value-addition for developing countries in order to improve their trade; and additional paragraphs on unilateral trade sanctions and trade subsidies. The EU proposed language on: sound enabling domestic environments providing key conditions for the integration in global value-chains; increasing beyond the border cooperation and introducing human rights and sustainability; and developing sustainable global value chains.

Canada called for deleting proposed text on assessing the sustainability impact of trade agreements and their impact on developing countries, particularly LDCs. The US said it was not ready to support any trade assessment undertaken by the UN. Canada also suggested deleting the reference to multilateral and plurilateral initiatives, such as negotiations to liberalize trade in environmental goods and services.

On concluding the negotiations on the Doha Development Agenda, the US called for deleting the reference to recommitting to placing the interests and concerns of developing countries at the heart of the negotiations.

On duty-free and quota-free market access for products originating from the LDCs, the EU proposed adding the call for all developed countries, upper middle-income countries, and emerging economies to provide duty-free and quota-free market access for LDC’s products. Switzerland called for deleting the reference to flexibilities in the WTO TRIPs Agreement, and Japan requested deleting the TRIPs reference “to further the public interest in sectors of vital importance for sustainable development.” The G-77/China proposed three additional paragraphs, on TRIPs, agriculture and the participation of developing countries in global supply chains.

On complementary actions at the national level, Iceland and Lichtenstein said domestic enabling environments should be “based on the rule of law.” The G-77/China called for deleting text on implementing sound domestic policies and reforms conducive to realizing the potential of trade for sustainable development. Japan proposed deleting the references to Aid for Trade and increasing Aid for Trade support and allocating 50% to LDCs provided “according to development effectiveness principles, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to LDCs,” explaining that that will be decided in the WTO.

On ensuring that trade and investment treaties do not constrain domestic policies for sustainable development, the G-77/China and Canada called for replacing “sustainable development” with “regulations in the public interest.” The G-77/China further asked to not constrain domestic “policy space” instead of “policies.”

**DEBT AND DEBT SUSTAINABILITY:** The G-77/China said the title for this section should read “External Debt and Debt Sustainability,” as countries take domestic responsibility for internal debt.

On assisting developing countries in attaining long-term debt sustainability, the IMF stressed the need to refer to prudent borrowing and lending policies. The EU and the US proposed adding text indicating that, “for those that received debt relief, the focus needs to be on sustaining sustainable debt levels.” The G-77/China called for expanding the Heavily Indebted Poor Countries (HIPC) clause so that countries that are in distress could benefit from it.

On monitoring and prudent management of liabilities, the G-77/China proposed adding references to the UN system and the UN Conference on Trade and Development (UNCTAD), in addition to the World Bank and the IMF, in strengthening the analytical tools for assessing debt sustainability. Arguing that the World Bank and the IMF should not be altering their analytical tools, Canada requested deleting text inviting the IMF and World Bank to further strengthen their analytical tools for sovereign debt management in an open, consultative process. The G-77/China proposed adding text on the open, consultative process taking place within the UN and deleting text on “better taking account of growth-inducing effects of debt-financed public investment.” The US also supported deleting this text. The EU proposed adding text encouraging international financial institutions to continue their work to provide assistance to countries for managing debt.

On debtors and creditors sharing responsibility for preventing and resolving unsustainable debt situations, the US proposed replacing “share responsibility” with “work together to prevent and resolve.” The G-77/China called for keeping the current formulation. The EU said maintaining sustainable debt levels is primarily the responsibility of borrowing countries.

On debt restructuring, the G-77/China proposed text on tackling the effects of “vulture” funds. The EU suggested replacing the text noting that “the ability of countries to achieve the SDGs should be taken into account in debt restructurings” with “debt restructuring should enhance sustainable development.”

The EU and the US called for deleting the text that would require “the design of international arrangements that minimizes both creditor and debtor moral hazard, and facilitates a fair, efficient and timely restructuring that respects the principle of shared responsibility.” The US objected to the creation of new mechanisms for foreign debt restructuring that are not aligned with a market-based approach, and proposed deleting the reference to the work carried out by the UN and UNCTAD in the area.

On natural disasters or economic shocks that can undermine a country’s debt sustainability, the G-77/China and the Russian Federation called for deleting the text introducing specific contingencies that would automatically extend repayments as well as in the terms of inter-governmental lending, such as GDP-linked loans or other loans with countercyclical repayment options. The EU called for deleting text on “debt for SDG swaps” for developing countries, particularly LDCs, LLDCs and SIDS experiencing debt distress.

**ADDRESSING SYSTEMIC ISSUES:** Japan and the EU said the title should read “Systemic Issues.” The G-77/China supported retaining “Addressing” in the title.

On recognizing the need to take into account the economic, social and environmental challenges, the G-77/China suggested replacing “environmental” with “political challenges, including natural disasters and climate change.” The group proposed text on achieving a more inclusive global financial architecture.

The EU proposed text expressing support for a “stronger, more coherent and more inclusive international architecture in full respect of relevant organizations’ mandates to improve global governance for sustainable development.” He also proposed including a call for encouragement of coherence among different strands of the multilateral system including efforts by the UN to enhance opportunities for LDCs to benefit from international policies and agreements.

On reducing vulnerability to international financial disruption after the 2008 world financial and economic crisis, the EU called for replacing “international financial disruption” with “to build resilience,” explaining that the goal should be to build resilience, not avoid disruption. The G-77/China proposed text to call for the enhancement of support and technical assistance to developing countries, in particular the

LDCs, by UN organizations including the World Bank Group, the IMF and the regional financial institutions, for financing their bankable projects. The G-77/China further urged the IMF to provide more comprehensive and flexible financial responses to the needs of developing countries without imposing pro-cyclical conditionalities, and respecting their need for adequate policy space.

On regulatory gaps and financial stability, the G-77/China highlighted that “policies in some major economies” continue to pose risks to financial stability, and proposed text that calls for all developed countries to increase their efforts in formulating policies to encourage the sustained growth and sustainable development of developing countries.

The EU, Japan and the US called for deleting text that invites “the IMF to consider regular periodic allocations of special drawing rights to supplement IMF member countries’ foreign reserves and to better support developing countries.”

The Russian Federation suggested deleting text calling on the Basel Committee on Banking Supervision and other main international regulatory standard setting bodies to continue efforts to increase the voice and participation of developing countries, including in all of their subsidiary committees, to ensure that their concerns and conditions are taken into consideration.

Instead of calling on relevant regulatory bodies to adopt measures to reduce excess volatility in food commodity and derivative markets, the US proposed that regulatory bodies should facilitate timely access to information on food prices, explaining that the information will help with addressing excess volatility.

**SCIENCE, TECHNOLOGY, INNOVATION AND CAPACITY BUILDING:** Post-2015 development agenda negotiation Co-Facilitator David Donoghue, Ireland, joined the FfD3 intersessional negotiators on Friday morning, 15 May, for the discussion of the technology facilitation mechanism (TFM). Co-Facilitator Talbot said the four Co-Facilitators from the FfD3 and post-2015 processes would work together on this issue. Donoghue noted that, at the joint session for the two processes in April, there had been a discussion of technology in general as well as the functions that a TFM could have. He said elements for a potential technology package are emerging, and encouraged delegates to discuss what they could accept on this topic.

In opening statements on this chapter of the draft FfD3 outcome, the G-77/China supported a TFM and said it should, *inter alia*, map existing facilitation activities and promote the transfer of clean and environmentally sound technology.

The US said technology should be addressed in the FfD3 context. He noted that the proposal for a LDC technology bank is specific, but said he could not agree to operationalize the technology bank until the feasibility study is completed. He also asked what needs a TFM would meet.

The EU welcomed the addition of references to “science” in this section, stressed the role of the private sector, and said any discussion should understand the range of proposals that are on the table to avoid duplication. He said the process that is examining the proposed LDC technology bank should not be preempted, and stressed the need for research and innovation to be based on co-design, co-development and co-delivery of solutions.

Switzerland related the metaphor of this issue to a house, with: the foundation comprising the enabling framework conditions, including policies for trade and intellectual property; the pillars being targeted interventions in areas where the market does not provide solutions; and the roof being the global support structure. She also: suggested that the G-77/China should outline what needs this support structure responds to; stated that any global deliverable would be part of a TFM and not separate; and supported dealing with all related issues including a possible TFM under the FfD track.

Australia stressed the importance of an enabling environment, noting that “technology is local, not global” as even when it is transferred, it needs to be adapted to local conditions.

Brazil said the SDGs should be the framework for the discussion of technology transfer, adding that the FfD3 outcome could develop general guidelines, but the details should be fleshed out in the post-2015 negotiations.

The LDCs looked forward to the recommendation of the High-Level Panel on an LDC technology bank and said the bank will be a key deliverable of the post-2015 agenda.

During the paragraph-by-paragraph discussion of this chapter, the US proposed referring to technology “goods and services” and to “mutually agreed” transfer. The G-77/China proposed indicating that science and technology are important for social inclusion and that commitments would include providing technology capacity building and training to close the digital divide. The LDCs emphasized that a reference to “value addition to commodities” was an essential objective and its inclusion was a red line for this group. The EU proposed adding references to the empowerment of women and girls and to adequate, balanced and protective intellectual property rights, among others. Israel proposed adding a paragraph on entrepreneurship education.

On promoting the development, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms, the G-77/China called for adding “transfer” to “development, dissemination and diffusion” and including technologies for capture, storage and environmentally friendly reuse of carbon. He said the priority areas need to include: energy efficient and environmentally sound technologies, sustainable agriculture, sustainable urban development infrastructure, energy and vaccines and medicines. The G-77/China also proposed a new paragraph calling for the establishment of a fund to support innovative enterprises in the early stages and during the commercialization stage of the technology.

The EU requested deleting the text proposing the development, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms and the commitment to allocate ODA for technical support. Instead, he proposed text on stepping up international collaboration in science, technology and innovation (STI), on the basis of common interest and mutual benefit and focusing on the achievement of the SDGs. The EU also proposed scaling up the support to STI cooperation, including through public-private and public-public partnerships.

On text calling for supporting “the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, and provide access to affordable essential medicines and vaccines, in accordance with the TRIPs Agreement and Public Health and other relevant agreements,” the EU proposed that the text should: read “in accordance with the Doha Declaration on” the TRIPs Agreement; refer to non-communicable diseases that affect “all” countries; and indicate that the development of research capacity and technology transfer would be “on mutually agreed terms.” The G-77/China proposed an additional paragraph on continuing efforts to upgrade technology for modern and sustainable energy services for “all” developing countries.

On enhancing international support for capacity building, the G-77/China proposed listing LDCs, LLDCs, SIDS, African countries, countries in conflict, post-conflict countries, countries under foreign occupation and MICs and indicating that South-South cooperation is “a complement.” The G-77/China called for increasing capacity for: training; exchange of experiences and expertise; knowledge transfer; technical assistance for capacity-building; and strengthening institutional capacity and planning, management and monitoring capacities. The

EU called for deleting text on “increasing capacity building, including in institutional and human resources development, capacities for effective climate change related planning and management, and water and sanitation related activities and programmes.”

#### **DATA MONITORING AND FOLLOW-UP**

On increasing the availability of high-quality, timely and reliable disaggregated data, the G-77/China called for deleting “high quality” before “data” and for increasing the availability of data on MOI, including ODA. The G-77/China proposed adding text on committing to provide international cooperation, including through technical and financial support, to strengthen the capacity of national statistical offices and systems, and to further the domestic and international transparency and accountability in the global partnership. The EU noted that “improving data is a means of implementation in its own right,” and stressed the need to focus on “quantitative and qualitative” data and to include open data. He requested deleting text stressing the need for targeted support for strengthening domestic capacity and accountability.

On strengthening and standardizing data on domestic and international resource mobilization, the EU called for deleting proposals on improved indicators for development assistance from foundations and other non-governmental providers. He added text on involving civil society, academia and the private sector as “important” actors in the monitoring, accountability and review mechanism. He further proposed language on making data standards interoperable, requesting the UN Statistical Commission to work with other international statistical services to track data on all cross-border financing and other financial flows, to bring together existing databases and to regularly report the adequacy of international statistics related to implementing the post-2015 development agenda.

On mechanisms for monitoring progress, the EU asked to: monitor progress “at all levels” in a “single post-2015 monitoring, accountability and review framework;” ensure participation of relevant ministries, local authorities, central banks and financial regulators, institutional stakeholders, international development banks, the OECD, civil society, and the business sector; and strengthen accountability mechanisms at the national level though mechanisms to enhance popular participation in an inclusive manner in monitoring government commitments.

The G-77/China proposed establishing an intergovernmental committee/ mechanism under the auspices of the UN for monitoring, following-up and reviewing progress on international commitments regarding financing for development, to meet annually. He explained that the committee would provide a platform for regular dialogue between Member States and all stakeholders, and its deliberations and the agreed review outcome would be considered by the High-level Political Forum on Sustainable Development (HLPF).

#### **CLOSING**

Closing the meeting on Friday afternoon, 15 May, Co-Facilitator Talbot thanked Member States for their spirit of collaboration and announced that a compilation text, containing the proposed modifications, will be made available shortly. He explained that the Co-Facilitators would not prepare a revised text, but would develop proposals to bridge the paragraphs where they “see opportunities for bridging.” The next session of informal consultations are scheduled for 26-29 May 2015, and Talbot confirmed that an additional session of informal consultations would take place from 1-5 June 2015. Talbot expressed his hope that the negotiations would reach an agreement by mid-June, and added that, “The task of facilitation will not be only on us, but we will call on some of you to help with facilitation in certain areas.” The meeting was adjourned at 5:56 pm.