BRIEFING NOTE ON THE SECOND ADDITIONAL SESSION FOR THE PREPARATORY PROCESS FOR THE THIRD INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT: 26-29 MAY 2015

The Second Additional Session for the Preparatory Process for the Third International Conference on Financing for Development (FfD3) convened at UN Headquarters in New York, from 26-29 May 2015. Throughout the four-day session, which was convened as an informal meeting of the plenary as part of the preparatory process for FfD3, delegates discussed a revised FfD3 draft outcome document, which incorporated comments offered during the First Additional Session for the Preparatory Process, which took place from 12-15 May 2015, in New York, US. Co-Facilitators George Talbot, Permanent Representative of Guyana, and Geir Pedersen, Permanent Representative of Norway, had circulated the revision the week prior to the second additional session.

Delegates conducted a paragraph-by-paragraph negotiation of the text dated 22 May, covering the first 47 paragraphs. Among the areas of tension that were revealed during the second additional session were the role of the FfD3 outcome in the post-2015 development agenda, foreign direct investment, fossil fuel subsidies, fragile states, resilience, common but differentiated responsibilities (CBDR), remittances, the rights of women to own land and to inheritance, a new platform for infrastructure, global funds, and upgrading the status of the UN Committee of Experts on International Cooperation in Tax Matters. Delegates also discussed how to refer to countries in special situations throughout the document.

This briefing note summarizes the comments and discussions during the Second Additional Session for the Preparatory Process for FfD3. The Third Additional Session for the Preparatory Process for FfD3 will take place from 1-5 June 2015.

REPORT OF THE SECOND ADDITIONAL FFD3 SESSION

Co-Facilitator George Talbot opened the Second Additional Session for the Preparatory Process for the Third International Conference on Financing for Development (FfD3) on Tuesday morning, and invited delegates to start the paragraph-by-paragraph review of the revised draft outcome document. Co-Facilitator Geir Pederson recalled that two compilation documents had been shared with Member States before the session, dated 22 May: one that incorporated comments from Member States into the draft outcome document, and another compiling the comments and views of Member States and groups of countries. He expressed his hope to “close” some paragraphs as soon as possible and called on participants to identify paragraphs where this could be done easily. He added that concluding the discussions on the outcome document by 19 June was important, so as to have time to mobilize support and ensure high-level participation at the Conference, which will convene in Addis Ababa, Ethiopia, from 13-16 July 2015.

South Africa, for the Group of 77 and China (G-77/China), said the Group would need time to coordinate during the session, and expressed hope that the outcome would continue to build on the Monterrey Consensus and Doha Declaration. The G-77/China also requested that the text under discussion be projected on an overhead screen during the negotiations.

Addressing the Co-Facilitators, the European Union (EU) said “we support your leadership,” and expressed hope that the draft would include proposals from the Co-Facilitators “at some stage.”

After these initial remarks, Talbot suspended the meeting for several hours to allow further coordination within groups. During the subsequent four days, several meetings began late to allow the G-77/China to coordinate its group position. Delegations conducted a paragraph-by-paragraph reading of the first 47 paragraphs in the document, continuing during evening sessions on all four days.

THE ADDIS ABABA ACCORD
INTRODUCTORY SECTION: On the title of the first section, “A global framework for financing sustainable development,” the G-77/China called for deleting “sustainable.” The EU proposed replacing the title with “Implementing the post-2015 development agenda,” and said FfD3 will define the implementing framework for the entire post-2015 development agenda, including the global partnership, not only the Sustainable Development Goals (SDGs).

On a paragraph that identifies the overarching goal of the Conference, noting that “governments and High Representatives have gathered to address the challenge of financing sustainable development,” the EU called for replacing “financing” with “implementing” and highlighted the importance of enabling environments and sound policy frameworks in addition to finance. The G-77/China proposed adding a reference to “poverty eradication,” noting that, if it is accepted as an overarching goal...
alongside “sustainable development,” the Group would be flexible with regards to adding a reference to “enabling environments.” He also said a reference to “the right to development” should be included in the text. The US said that, if the time frame is “in this generation,” the goal of eradicating poverty is not viable, and proposed adding “extreme” before “poverty.” The G-77/China opposed this addition.

On a paragraph that indicates Member States have come together to establish a holistic and forward-looking framework and to agree on concrete actions to deliver on the promise of the post-2015 development agenda, the EU proposed indicating that it is a “single” holistic and forward-looking framework. The EU also suggested replacing a call to “strengthen the framework to finance sustainable development and the means of implementation” with “to agree on concrete actions to implement the universal post-2015 development agenda.” He further said the actions need to be implemented and reviewed in an “inclusive” manner. Canada suggested avoiding language that it is too prescriptive, such as “we have come together to establish” or “ensure,” since it is a non-legally binding agreement.

The G-77/China called for deleting a paragraph on changes in the global context since Monterrey, while the EU, Japan and the US said the text should be “even further strengthened.”

On a paragraph on the countries and groups that face major challenges, Iceland advised against listing women as a marginalized or vulnerable group, while New Zealand suggested including a reference to Indigenous Peoples. Japan expressed support for the G-77/China’s proposal to add, in addition to the reference to the least developed countries (LDCs), reference to other groups such as land-locked developing countries (LLDCs), small island developing states (SIDS), and countries in conflict and post-conflict situations. Mexico welcomed a proposed reference to middle income countries (MICs) made by the G-77/China. The US called for adding a reference to “countries impacted by conflict,” explaining that many countries have fallen further behind in places where fragility, conflict and insecurity persist.

Canada, the EU, Japan and the US did not support the G-77/China’s proposal to call on developed countries to take the lead in addressing global risks, “which threaten to undermine past successes and future prospects including environmental concerns and climate change.”

The EU proposed text on the need to ensure that development efforts are resilient, with the G-77/China preferring to call for “efforts in resilience.” The UK opposed the modification, explaining that development efforts need to be climate smart and build resilience, and noting that “flipping that around by suggesting that resilience helps development messes up causality.” The G-77/China noted that more official development assistance (ODA) is shifting towards addressing disasters, to which Canada replied that spending small sums on prevention is preferable to large sums in humanitarian assistance. The EU also proposed text that notes that “extreme poverty is concentrated in States affected by conflict and fragility.” The G-77/China called for deleting the reference to “fragility,” arguing that the term is used more in the Security Council and less in Second Committee resolutions, to which the EU replied that “when we speak about development, we speak about development made everywhere and not work in silos.”

On a paragraph on solutions, the G-77/China proposed text that reaffirms all the principles of the Rio Declaration on Environment and Development, “including common but differentiated responsibilities (CBDR).” Australia, Canada, the EU, Japan and the US called for deleting the reference to the principles of the Rio Declaration and welcomed references to the importance of freedom, peace and security. The EU proposed text that reaffirms that “there cannot be sustainable development without peace and security.” The G-77/China said that, if the Rio Declaration is not regarded as connected with FfD3, then there should be no reference to sustainable development in the FfD3 outcome, as it was not mentioned in the FfD outcome at the Monterrey Conference. Canada replied that, if there is an issue with consistency and the Rio Declaration needs to be mentioned, then “sustainable development” should be kept in the title.

On achieving gender equality and empowering all women, the G-77/China supported proposed language on the realization of the human rights of women and girls. Some countries, including Switzerland and the UK, preferred retaining a reference to “sustainable” growth instead of “sustained” growth. The G-77/China preferred “sustained” growth, while Germany and France proposed keeping both terms, noting that they are not contradictory. Canada, the US and Israel, among others, supported proposed text on investing in children, with some suggesting that it be addressed as a separate paragraph. The US also supported proposed text on “unparalleled” development challenges posed by fragility and conflict, while Japan suggested placing that text after a paragraph on countries in special situations.

On the paragraph on countries in special situations, the G-77/China proposed additional paragraphs referring to the special needs of LDCs, SIDS, African countries, MICs and LLDCs. Delegates discussed how to refer to countries in special situations throughout the document. While recognizing the need to address all countries in special situations, Canada said multiple references to them would create difficulties in streamlining the document. He suggested mentioning them in a single paragraph and then referring to that paragraph throughout the document. The US stressed the need for a compact text, similar to that from Monterrey and Doha. Australia highlighted that there are specific sub-groups of countries that have particular challenges, and called for text that provides a “granulated view” in this regard.

The G-77/China and Benin, for the LDCs, stressed the need to address the graduation process of LDCs, proposing language on accompanying the process with a package of incentives. The EU proposed noting that countries’ sustainable development prospects will depend on joint efforts, and this should be guided by a new global partnership based on universality, shared responsibility, mutual accountability, and a multi-stakeholder approach. The G-77/China opposed the proposal, preferring to recognize the need for a “renewed” global partnership from Millennium Development Goal 8 (MDG 8).

On the paragraph on cohesive, nationally-owned, sustainable development strategies, the G-77/China proposed text that reaffirms that each state has full permanent sovereignty over
its wealth, natural resources and economic activity. The EU suggested that policies for poverty eradication and sustainable development be guided by the principles of country ownership, result orientation, inclusive partnerships, transparency and mutual accountability, and proposed deleting a reference to the international enabling environment. The US said the reference to developing and sharing appropriate technologies globally should read “technology goods and services.” He further expressed concern that the reference to “policy space” could be used by countries as an attempt to abrogate international commitments for which they need to consider domestic policies and actions, and called for the deletion of the concept. The EU and Canada supported this suggestion.

On the paragraph on the global partnership, the G-77/China said the partnership should be based on CBDR, maintaining that North-South cooperation is at the core of this principle, while the private sector and South-South cooperation are only complements. Australia, the EU, Japan, Switzerland and the US opposed the addition. The EU proposed including parliaments and local authorities and partnering with other state and non-state actors. Switzerland and Ireland suggested including the full participation of women and women’s organizations, while New Zealand proposed a reference to renewable energy.

Japan said the main purpose of FfD3 should be to strengthen the policy framework for mobilizing resources and effectively using them to implement all of the SDGs. He recommended avoiding discussing how many resources should be allocated to specific targets, sectors or areas, as it would lead to prioritizing some targets over others, and this should be left to the countries to decide. He said it was inappropriate to try to strengthen specific targets on SDG means of implementation (MOI) in the FfD3 outcome.

On a paragraph on the approach and the MOI necessary for implementing the SDGs, the G-77/China requested “adequate, predictable and timely MOI to response to the level of ambition.” The EU proposed text on applying gender-responsiveness in a cross-cutting fashion and combining different MOI, which the EU said should be underpinned by “effective, accountable and inclusive institutions, sound policies and good governance at all levels.” Mexico proposed text on establishing sustainable patterns of production and consumption (SCP). The US highlighted that the post-2015 development agenda is broader than just the SDGs, and recommend referring to it, rather than the “SDGs,” in the paragraph and throughout the text.

On the paragraph on delivering social protection and essential public services for all, Canada said the language on “floors” and “spending targets” is problematic as it reduces the flexibility of governments to establish priorities and provide services to their populations according to their specific circumstances. The EU proposed replacing the text on setting appropriate national spending targets with text on ensuring sufficient allocation of funding and effective spending. Mexico proposed adding language on effective social safety nets, including and especially in the context of economic crises. The G-77/China proposed a reference to completing the unfinished business of the MDGs and relying on public resources, both domestic and international. The EU said implementing the post-2015 development agenda cannot rely only on public resources. Canada welcomed a reference to completing the unfinished business of the MDGs. Japan called for deleting the reference to global funds in education, health and infrastructure.

On the paragraph on scaling up efforts to end hunger, Australia and the Republic of Korea stressed the need to address post-harvest loss. The US welcomed the additions to food security, pastoralism, forestry and agro-business, and expressed support for the G-77/China’s addition of “compliance with the WTO Doha agricultural mandate.” Canada supported the G-77/China’s addition of “food security” to “nutrition.” Australia welcomed the references to pastoralism and to encouraging access to markets for small-holders. There was a debate on whether to replace “chronically undernourished” with “hungry” or “suffering from hunger.” The G-77/China called for deleting the reference to the Committee on World Food Security’s (CFS) voluntary Principles for Responsible Investment in Agriculture and Food Systems. The EU and US supported that reference.

On the paragraph on establishing a new platform to bridge the “infrastructure gap,” the G-77/China emphasized the importance of this issue and clarified that the platform would not be a new “financing mechanism” but would build on existing initiatives, so as to promote the exchange of information and experiences. Switzerland and others called for a deeper discussion on what the gap is and how to bridge it based on existing initiatives, and Australia, Canada and the Russian Federation, among others, suggested working on increasing coordination among existing initiatives. Several developed countries questioned or opposed language on “at least doubling annual investments for sustainable infrastructure in developing countries from all sources in the next five years,” while New Zealand proposed language on working towards increasing investment for sustainable infrastructure in developing countries. Many, including Australia, Canada and Japan, supported a proposal from the Russian Federation to replace the title of the paragraph on “establishing a new platform to bridge the infrastructure gap” with “bridging the infrastructure gap.” Some delegates, including Canada and the Russian Federation, supported a G-77/China proposal on the importance of industrial development for developing countries. The EU said he could not support a reference to “adequate space” in a sentence on developing countries’ space to use policy instruments and to implement policies that enable and promote industrialization. Japan proposed deleting that sentence.

On boosting financial access for micro, small and medium-sized enterprises (MSMEs), the G-77/China called for deleting the reference to innovative financial mechanisms and opposed Japan’s proposed paragraph on promoting safe and peaceful societies and strong institutions.

On ensuring significant mobilization of resources from a variety of sources and creating sound policy frameworks, including through enhanced development cooperation, the US said he could not support “ensure,” and proposed “promote.” The G-77/China objected to this change. The EU suggested replacing “enhanced development cooperation” with “promoting international cooperation.”
On domestic public resources, delegations debated whether and to what extent text should emphasize the domestic environment versus financial and technical support such as ODA. The G-77/China observed a “fundamental difference of opinion on FfD” as to whether it should be considered a universal framework. He said that, while the post-2015 development agenda and its MOI are universal, the FfD framework is not universal and does not replace the post-2015 MOI. Therefore, he said, the text must reflect that FfD is about “financing for development” for developing countries. The EU said the section should focus on the domestic environment, with the US adding that “what we do domestically, with policies, has a much bigger impact than money.” Switzerland agreed on the emphasis on domestic policy in this section.

On the paragraph on strengthening domestic governance and institutions and combatting corruption at all levels, the US proposed replacing a reference to adequate fiscal “space” with “buffers.” The G-77/China called for retaining the reference to “space,” and the EU said it could support “space.”

Discussing domestic revenue, delegations considered a reference to the Tax Administration Diagnostic Assessment Tool (TADAT), which provides indicators to assess the quality of domestic resource mobilization. The US supported the tool, which it said was developed by the International Monetary Fund (IMF), while the G-77/China suggested that this tool is more related to data.

On the paragraph on combatting tax evasion and substantially reducing and eventually eliminating illicit financial flows (IFFs) through strengthened national regulation and increased international cooperation, the US recommended removing language committing to eliminating IFFs, to keep the text “realistic,” and supported Turkey’s replacement of “ensuring that all payments to governments from large companies are fully transparent” with “promote information exchange among the relevant tax authorities.” The EU proposed text indicating that all payments to governments from large companies are fully transparent “to governments from large companies are fully transparent” with “promote information exchange among the relevant tax authorities.” The US and Switzerland supported this addition. The IMF expressed concern about the definition of IFFs. The EU questioned text on the return of funds to countries of origin, which it said could mean giving them back to whoever removed them originally. The G-77/China did not support a reference to using the standards of the Financial Action Task Force on money laundering and counter-terrorism financing.

On a paragraph concerning countries relying significantly on natural resource exports, the G-77/China proposed reaffirming that “every state has and shall freely exercise full permanent sovereignty over all its wealth, natural resources and economic activity.” The EU expressed concern with the G-77/China text. The G-77/China called for deleting text that calls on countries to implement transparency measures, such as the Extractive Industries Transparency Initiative Standard (EITI), while the EU proposed replacing this text with a call for countries to “implement the EITI Standard to ensure transparency in natural resource revenues and accountability in the use of these resources and in addition to adopt mandatory or equivalent reporting requirements.” The G-77/China opposed this proposal, and said the Group could accept “transparent” royalty agreements and add “revenue” agreements, but stressed that references to “fair” and “royalties” should remain in the text.

On tax cooperation, delegations addressed the use of ownership information, with the G-77/China stating that it resembled a conditionality, and Canada expressing concern about legal and privacy constraints on taxpayers’ information. On working to end “harmful tax competition,” the G-77/China said countries are ready to lower their tax rates to incentivize private investment. The EU, the US, Switzerland and the Russian Federation supported a reference to the work of the Organization of Economic Cooperation and Development (OECD) for the Group of 20 (G20) on Base Erosion and Profit Shifting, and the efforts of the IMF. Japan and the US said efforts in international tax cooperation should take into account the “different,” and not the “differentiated,” needs and capacities of all countries. The G-77/China proposed text on strengthening intergovernmental efforts to develop global norms on taxation through the UN system, including the UN Committee of Experts on International Cooperation in Tax Matters. The EU and Japan opposed the reference to the UN system.

Also on the UN Committee of Experts on International Cooperation in Tax Matters, Australia, Canada, the EU and Japan called for deleting text that decides to upgrade the Committee to an intergovernmental committee, to complement the work of other ongoing initiatives and further enhance the voice and participation of developing countries in norm setting for international tax cooperation. The US said that “upgrading” the Committee from an expert body to a political body would not improve its work. India recalled that the UN Statistical Commission is an intergovernmental expert body.

On the paragraph that urges all states that have not yet done so to ratify or accede to the UN Convention against Corruption (UNCAC) and commit to making it an effective instrument to both deter corruption and recover and return stolen assets, the EU proposed replacing ratify or accede with “sign, ratify and strengthen the peer review mechanism.” The EU proposed text to replace “ratify or accede” with “sign, ratify and strengthen the peer review mechanism.” Switzerland, Liechtenstein and Australia proposed adding a reference to UNCAC Chapter 2 on “Preventive Measures” to the highlighted Chapter 5 on “Asset Recovery.” The G-77/China expressed flexibility on the call for ratifying or acceding to UNCAC, but called for deleting the reference to the peer review mechanism and cautioned against “picking and choosing” chapters from the Convention. The EU and the US expressed flexibility on the reference to the chapters but stressed the need to retain the peer review mechanism, while Switzerland called for retaining the reference to the chapter on Asset Recovery.

On the paragraph on spending resources efficiently and effectively in support of country-owned national sustainable development strategies and the SDGs, the G-77/China proposed text on mobilizing sufficient resources from all sources and on reaffirming the sovereign right of countries over national resources. The Group called for deleting the text on increasing transparency and participation in all aspects of the budgeting process, and inviting those who have not yet done so to join the Open Government Partnership. The EU proposed text on equality and including human rights. The Russian Federation called
for replacing text on gender equality and women’s and girls’ empowerment with a reference to equal opportunities.

On the paragraph on ensuring social protection and essential public services for all, the G-77/China proposed adding language on financial assistance and technical cooperation to developing countries. Australia said international assistance should be targeted at building the capacity of governments to discharge this responsibility, rather than providing income support. The EU, Canada and the US called for deleting the reference to spending targets. Australia, Canada, the EU, Japan and the US opposed a reference to the possibility of global funds.

The G-77/China called for deleting the paragraph on gradually eliminating inefficient fossil fuel subsidies for production and consumption, minimizing adverse impacts on poor and disadvantaged communities, and agreeing to work towards putting a price on carbon. Canada, the EU, Iceland, Japan and the US supported the paragraph. Japan suggested replacing the reference to inefficient fossil fuel subsidies for production and consumption with “subsidies that encourage wasteful consumption.” The EU proposed replacing “inefficient fossil fuel subsidies” with “fossil fuel subsidies which are environmentally and socially harmful,” and further text that calls on countries to implement carbon pricing mechanisms to internalize environmental externalities and realize the “polluter pays” principle. Canada requested deleting the sentence on working towards putting a price on carbon. The US proposed replacing “putting a price on carbon” with “internalizing the cost of carbon.”

On the paragraph committing to developing mechanisms to assist countries to strengthen capacity, particularly in areas of infrastructure development, local taxation, sectorial finance and debt issuance and management, including access to domestic bond markets, Canada proposed rephrasing the text to read, “We therefore commit to strengthen capacity,” and to exclude any reference to developing mechanisms. The US did not support including language implying that local community participation should be “based on country circumstances.”

**ACTION AGENDA: PART B: DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE:**

On the paragraph on private business activity, investment and innovation, the EU proposed language on building peaceful and resilient societies and on the principles of development effectiveness. The US recommended adding a reference to competition. The G-77/China proposed an alternative paragraph that calls for, *inter alia*, directing foreign direct investment (FDI) toward financing sustained economic growth. The EU and the US opposed this alternative, arguing that governments should not direct FDI, and the incentives for FDI should be the focus. The G-77/China proposed language on ensuring that businesses embrace corporate responsibility and good governance, and take full account of the development, environmental and social impacts of their activities. Palau and the Republic of Korea supported this proposal, but the US said it implies that penalties will be inflicted otherwise.

The G-77/China proposed deleting the paragraph noting that public policy plays a key role in creating the enabling environment and regulatory framework necessary to encourage entrepreneurship, a vibrant domestic business sector, and long-term foreign investment in sustainable development. The EU, Canada and the US expressed their strong support for the paragraph. Mexico, supported by the US, proposed language on maintaining a balance between the incentives and regulations, to allow private sector engagement to produce maximum development impact.

On the paragraph noting that FDI largely bypasses countries and sectors most in need, and international capital flows are often short-term oriented, New Zealand and the US said the criticism of FDI is unnecessary. Australia, supported by the US, called for deleting the call for private actors to invest with the long-term horizons necessary for sustainable development and to shift to more sustainable consumption and production, and supported the text acknowledging the responsibility of governments to develop regulatory systems to align business incentives with sustainable development, including to foster long-term investment and promote the quality of investment. The G-77/China proposed replacing the “responsibility” of governments with the “role” of governments. Australia, supported by the EU, said a greater emphasis should be placed on governments incentivizing sustainable investment.

On the paragraph welcoming the growing number of businesses that embrace corporate social responsibility and take full account of environmental, social and governance impacts of their activities, and urging all others to do so, the G-77/China proposed deleting the part that refers to working with industry groups, regulators, international accounting standard-setting bodies and other stakeholders to identify industry-level metrics to frame sustainable development accounting principles in ways that will be consistent with the SDGs. The EU, supported by the US and Switzerland, proposed language on addressing the exploitation of children and respecting and complying with human rights.

On the paragraph on adopting regulatory frameworks that foster a dynamic and well-functioning business sector, while protecting labor rights and environmental and health standards in accordance with internationally agreed norms, the G-77/China called for deleting the reference to the standards of the International Labour Organization (ILO). On adopting national policies and regulations to internalize externalities such as the “polluter pays” principle, the Group proposed adding “in accordance with national policies and priorities while bearing in mind the principle of CBDR at the global level.” The EU suggested adding references to the Convention on the Rights of the Child and the OECD guidelines for multinational enterprises. Australia, supported by the US, expressed concern with the requirement that companies should incorporate non-financial factors into their reporting.

On the paragraph noting the importance of robust regulatory frameworks for financial intermediation, the G-77/China said the regulatory frameworks should be “within the UN mandate that encompass all financial intermediation, from microfinance to international banking.”

On the paragraph on ensuring access to formal financial services for all, including the poor, women, rural communities, indigenous people, and persons with disabilities and adopting or reviewing national financial inclusion strategies, many
delegates proposed adding “youth.” The G-77/China called for deleting “in consultation with relevant national stakeholders.”

Canada, supported by Japan, proposed changing a commitment to “increasing resources for capacity development for developing countries” with a commitment to “enhancing capacity development.”

On the paragraph on remittances, the G-77/China, supported by Mexico, proposed indicating that remittances cannot be considered as a substitute for FDI, ODA, debt relief or other public sources of financing for development. Australia, Canada, the US and the Republic of Korea stressed the need to ensure consistency with the G20 commitment to reduce the transaction costs of migrant remittances to 5%, saying they do not support the two targets in the text, and suggested removing the reference to 3%. Canada proposed language on reducing the transaction costs of remittances and working to bring costs for all remittance corridors below 5% by 2030, and lower where possible.

Switzerland called for retaining the 3% target, stressing that it was decided in the proposal by the Open Working Group (OWG) on SDGs. New Zealand proposed replacing 2030 with 2020 as the target year.

In a paragraph on gender equality, women’s empowerment and women’s full participation as agents for economic growth and productivity, the G-77/China called for deleting the reference to ownership and control over land and inheritance, while Australia, Canada, the EU, Switzerland and the US requested retaining it.

On the paragraph on the role of philanthropic giving, the G-77/China proposed text on considering local, social and cultural practices and values mindful of the national policies and priorities determined by governments, including where applicable, in the UN development assistance framework with funds, programmes and specialized agencies. The US opposed the reference to the UN development assistance framework.

On the paragraph on remittances, the EU, supported by Australia and the US, proposed adding “particularly women-owned MSMEs.”

On the paragraph on establishing long-term bond and insurance markets where appropriate, including crop insurance on non-distortive terms, while strengthening supervision, clearing and settlement in existing markets, the EU, supported by Canada and the US, proposed text on establishing or strengthening municipal bond markets to help sub-national authorities to finance needed investments. The EU and the US called for deleting the phrase on concerns that short-term cross-border capital flows can create excessive volatility, which they said should be contained through appropriate regulations and other tools. On the paragraph on the contribution that direct investment, including FDI, can make to sustainable development when it is aligned with sustainable development and investors follow environmental, social and governance standards, the G-77/China proposed adding “from developing countries in particular small and medium-sized enterprises” to encourage the integration of local enterprises into global value chains. The US opposed this addition. On prioritizing projects aligned with sustainable development, including those with the greatest potential for promoting decent jobs, the G-77/China proposed replacing a reference to “decent jobs” with references to full and productive employment and decent work for all, sustainable patrons of production and consumption, structural transformation, sustainable industrialization and productive diversification. The US opposed the change, while the EU accepted it.

On the paragraph that notes with concern that LDCs continue to be largely sidelined from FDI flows, the EU proposed replacing LDCs with a reference to countries most in need and fragile states. The G-77/China and the Russian Federation opposed the reference to fragile states, with the Russian Federation requesting that all such references be removed from the document. The G-77/China proposed text on the establishment and operationalization of an international investments support centre dedicated to LDCs. The EU, US and Japan opposed this addition. The G-77/China, supported by Mexico, proposed text on addressing the financing gap for MICs. Japan opposed this text. Mexico reminded Member States that MICs include “lower middle income” and “upper middle income” and noted that their challenges need to be addressed. The G-77/China proposed an additional paragraph underlining that FDI should employ maximum local content, including human resources in technical and managerial positions, and establish linkages, both backward and forward, with domestic suppliers and linkages for local enterprises with global value chains. The EU said the proposed language was too prescriptive.

On the paragraph on the large gap in financing for resilient and quality infrastructure, in particular in developing countries, Australia, Canada, the EU, the US, Japan and the Russian Federation requested deleting the call for a new infrastructure platform to bring together all stakeholders to ensure that no countries or sectors are left behind. Canada encouraged a reference to public-private partnership models as a way to address infrastructure investment.

On the paragraph inviting standard-setting bodies to perform a review of the impact of financial regulation on achieving the SDGs, and to identify any adjustment that might be needed to encourage long-term investments within a framework of prudent risk-taking and robust risk control, and recognizing that long-term institutional investors, such as pension funds and sovereign wealth funds, manage large pools of capital but only allocate a small percentage to infrastructure, the G-77/China proposed replacing these references with text recognizing that, despite the large pools of private capital, currently only marginal private investment is distributed to the infrastructure sector, in particular in developing countries. The Russian Federation called for deleting the reference to sovereign wealth funds. Australia cautioned against calling on investors to change or encourage certain behavior, stating that it may be interpreted as governments directing private actors.

**CLOSING**

Co-Facilitator Pedersen adjourned the Second Additional Session for the Preparatory Process for the Third International Conference on Financing for Development at 7:45 pm on Friday, 29 May 2015, and said the Third Additional Session would resume negotiations on the FfD3 outcome on 1 June 2015, starting with paragraph 48.