Financing for development: Issues in domestic public resource mobilization and international development cooperation

Agreed policy recommendations

The Intergovernmental Group of Experts on Financing for Development,

Recalling General Assembly resolution 70/1, “Transforming our world: the 2030 Agenda for Sustainable Development”, of 25 September 2015,

Recalling also General Assembly resolutions 68/204, 68/279, 69/208, 70/192 and 71/217, on the follow-up to and implementation of the outcomes of the International Conferences on Financing for Development, and General Assembly resolution 70/299 on the follow-up and review of the 2030 Agenda for Sustainable Development at the global level,

Reaffirming resolution 69/313 of 27 July 2015 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which is an integral part of the 2030 Agenda for Sustainable Development, supports and complements it, helps to contextualize its means of implementation targets with concrete policies and actions, and reaffirms the strong political commitment to address the challenge of financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity,

Recalling the Nairobi Maafikiano,* where member States reiterated their will to strengthen the role of the United Nations Conference on Trade and Development (UNCTAD), in implementation of financing for development and the 2030 Agenda for Sustainable Development, as the focal point within the United Nations system for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development,

Recalling also paragraph 100 (i) of the Nairobi Maafikiano, which called for the establishment of an intergovernmental group of experts on financing for development,

1. Recognizes the need to continue the important work of UNCTAD on financing for development, so as to enhance its ability to support developing countries;

2. Recalls that the United Nations, on the basis of its universal membership and legitimacy, provides a unique and key forum for discussing international economic issues and their impact on development, and reaffirms that the United Nations is well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture, while recognizing that the United Nations and the international financial institutions have complementary mandates that make the coordination of their actions crucial;

* TD/519/Add.2.
3. **Reiterates** that effective taxation is critical in the mobilization of resources for the implementation of the Sustainable Development Goals and overall economic advancement of developing countries, including addressing tax avoidance, illicit financial flows and the activities that underlie their occurrence, such as tax evasion, illegal exploitation of natural resources, corruption, embezzlement and fraud;

4. **Recognizes** that illicit financial flows are estimated to amount to several times global official development assistance (ODA) and have a harmful effect on development and that measures to enhance the regulation of and transparency in the shadow and regular financial systems must therefore include steps to curb illicit financial flows, and the activities that underlie their occurrence, and ensure the return of illicit funds to the legitimate country of origin;

5. **Recognizes** the challenges of illicit financial flows have increased in scope and complexity, and underscores the need to harness the full potential of the existing institutional and policy frameworks as transformative instruments for the achievement of the Sustainable Development Goals;

6. **Stresses** the need for redoubling of efforts to substantially reduce illicit financial flows by 2030, eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation, to reduce opportunities for tax avoidance and considering inserting anti-abuse clauses in all tax treaties, to enhance disclosure practices and transparency in both source and destination countries, including by seeking to ensure transparency in all financial transactions between Governments and companies, with respect to relevant tax authorities, and to make sure that all companies, including multinationals, pay taxes to the Governments of the countries where economic activity occurs and value is created, in accordance with national and international laws and policies;

7. **Recognizes** that the range of issues related to illicit financial flows, and the activities that underlie their occurrence including among others, crime-, corruption- and tax-related practices and their interrelatedness, makes illicit financial flows a complex subject, and stresses therefore the need for transparent and comprehensive statistical indicators to estimate and typify illicit financial flows;

8. **Welcomes**, in this regard, the important work by UNCTAD, in cooperation with the United Nations Office on Drugs and Crime and other institutions, to develop a methodology to produce relevant indicators and estimates;

9. **Emphasizes** also the importance of continued efforts to ensure effective country-by-country reporting of relevant data, and takes note of the new Organization for Economic Cooperation and Development standards and related work in this regard, as well as the illicit financial flow vulnerability measures developed by the High-level Panel on Illicit Financial Flows from Africa;

10. **Recognizes** that, while each country is responsible for its tax system, it is important to support efforts towards strengthening technical assistance and enhancing international cooperation and participation in addressing international tax matters, including in the area of double taxation;

11. **Recognizes** the need for the strengthening of international tax cooperation through inclusive, participatory, broad-based and enhanced dialogue among national tax authorities and greater coordination of the work of the multilateral bodies and relevant regional organizations concerned, giving special attention to the needs of developing countries and countries with economies in transition;
12. **Reiterates** that current initiatives to enhance tax cooperation and combat illicit financial flows, and the activities that underlie their occurrence, should be inclusive with regard to the participation of developing countries;

13. **Recommends** to countries to increase external support to build capacity in the area of tax matters, including through ODA and the Addis Tax Initiative, as called for in the Addis Ababa Action Agenda;

14. **Requests** UNCTAD to continue its work on illicit financial flows, including the activities that underlie their occurrence, and taxation issues, with a view to facilitating more equal participation for developing countries in the design of tax cooperation rules;

15. **Notes** the role that well-functioning national and regional development banks can play in financing sustainable development, particularly in credit market segments in which commercial banks are not fully engaged and where large financing gaps exist, based on sound lending frameworks and compliance with appropriate social and environmental safeguards;

16. **Reiterates** the invitation to multilateral development banks and other international development banks to continue providing both concessional and non-concessional stable, long-term development finance by leveraging contributions and capital and by mobilizing resources from capital markets, and stresses that development banks should make optimal use of their resources and balance sheets, consistent with maintaining their financial integrity, and should update and develop their policies in support of the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals, as appropriate;

17. **Urges** multilateral donors, and invites international financial institutions and regional development banks, to review and implement policies that support national efforts to ensure that a higher proportion of resources reaches women and girls, in particular in rural and remote areas;

18. **Welcomes** the establishment of new multilateral and regional development banks in the global development finance architecture, and encourages enhanced regional and subregional cooperation, including through regional and subregional development banks, commercial and reserve currency arrangements and other regional and subregional initiatives;

19. **Recognizes further** that international public finance plays an important role in complementing the efforts of countries to mobilize public resources domestically, especially in the poorest and most vulnerable countries with limited domestic resources, and that both public and private investment have key roles to play in development financing including through development banks, development finance institutions and tools and mechanisms such as public private partnerships and blended finance;

20. **Stresses** that the fulfilment of all ODA commitments remains crucial; ODA providers have reaffirmed their respective ODA commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of gross national income for ODA (ODA/GNI) and 0.15 to 0.20 per cent of ODA/GNI to least developed countries, and urges all others to step up efforts to increase their ODA and to make additional concrete efforts towards the ODA targets;

21. **Emphasizes** in particular the need for clear and separate accounting of the longer-term costs and benefits of different types of financial flows and financing instruments, and of their true developmental impact, in any modernized ODA measurement;

22. **Stresses** that, while blended finance instruments can serve to lower investment specific risks and incentivize additional private sector finance across key development sectors led by regional, national and subnational government policies and priorities for sustainable development,
careful consideration should be given to the appropriate structure and use of blended finance instruments to ensure that projects involving blended finance, including public–private partnerships should share risks and rewards fairly, include clear accountability mechanisms and meet social and environmental standards;

23. *Emphasizes* the need for a common understanding of blended finance to serve as a basis for a transparent and clear reporting system, and calls on UNCTAD and other organizations working on development finance to provide, within available resources, more substantial analyses of the effectiveness of blended finance tools in mobilizing private capital for long-term productive investment in developing countries;

24. *Emphasizes* the need to foster effective interaction between UNCTAD and other agencies, international organizations, intergovernmental groups, processes and arrangements addressing development finance, development cooperation, global economic governance and other systemic issues;

25. *Recommends* that the outcome of the work of this Intergovernmental Group of Experts be presented, through the Trade and Development Board, as a regular input to the Economic and Social Council forum on financing for development follow-up.