

Ambassador Pertti Majanen
Co-chair of the Intergovernmental Committee of Experts
on Sustainable Development Financing
Cc: Sari Alander

Ref: Statement from Participating Civil Society Organisations in the Intergovernmental Committee of Experts on Sustainable Development Financing Outreach Event on Co-Creating New Partnerships for Financing Sustainable Development, Espoo, 3-4 April 2014

Helsinki, 10 April 2014

Dear Ambassador Pertti Majanen,

Thank you for the opportunity to participate in the multi-stakeholder consultation “Co-Creating new Partnerships for Financing Sustainable Development”, that took place in Espoo, April 3-4. After two days of interesting and challenging conversations, we, the civil society representatives who participated, want to share with you some of the key shared understandings among us.

A few people are wealthier than ever, while at the same time every eight of us go to bed hungry at night and too many, especially women and the most marginalized people, are left behind. Inequality is rising both between and within countries. Climate change and environmental degradation pose a threat to our whole existence. We need to act now. The costs of inaction are higher than the costs of action. Waiting costs money and human lives. These global issues will not be solved by charity or profit-seeking partnerships and finance do not exist in isolation of the policy choices. To put the world on track for a sustainable future, all actors have to contribute to sustainable development. We need financing of good quality and quantity, sustainable use of our natural resources and crucial policy changes, which works in favor of those currently left behind.

The starting point is to create an enabling environment for the society as a whole: Finance for sustainable development should aim at protecting and fulfilling human rights, addressing inequalities both between and in countries and preserving global commons such as clean air and water, protecting global biodiversity and combating climate change as well as ensuring sustainable use of natural resources.

Understanding the different roles of different actors is crucial. Partnerships with private sector or private sector cannot replace the role of the public sector. States have a duty to protect human rights, to provide public goods, to preserve global commons and to ensure that the private sector takes the responsibility to respect human rights and environment. These duties cannot be outsourced to the private sector.

Instead of taking donor driven approach, we have to **focus on democratic ownership and domestic resource mobilization.** We have to change policies that hinder the domestic resource mobilization in low-income countries and the development of the local private sector.

Policies and rules are crucial: An enabling environment for sustainable development requires not only money, but international and domestic policies and rules that serve people rather than business. The critical policy areas include:

- **Corporate accountability:** agreeing on binding international corporate accountability norms, based on the UN Guiding Principles on Business and Human Rights and promoting the harmonization and implementation of existing guidelines.

- **Climate change:** mitigation requires regulation and incentives, carbon pricing and cutting environmentally harmful subsidies like those for fossil fuels, and also allocating resources to climate change adaptation and disaster risk funding.
- **Domestic resource mobilization and illicit outflows:** re-directing existing funds by building up progressive tax systems and stopping illicit outflows through agreeing on international transparency regulation: enforcing country-by-country reporting for companies, developing further a system of multilateral automatic exchange of tax information, setting an international standard for public beneficial ownership registries and strengthening the UN Tax Committee. Stopping illicit flows also includes promoting a responsible lending and debt work out mechanisms.
- **The financial sector:** addressing transparency and volatility problems in the current financial system at the global and national level, by for example imposing the Financial Transaction Tax (FTT).
- **Trade and investment policies:** including sustainable development policies and clauses for human rights protection in multilateral and bilateral trade agreements.

Partnerships between public and private sectors and catalyzing private investment with public money can only be complementary to public finance. The focus should be on the quality and not only on the quantity of finance. Public-private partnerships are usually a costly way to finance public services and investments. There is also little evidence on the real additionally and development effects of using public finance to mobilize private investment.

Private sector can and has to contribute to sustainable development but there is also strong evidence that it has contributed to unsustainable development. Human rights violations of extractive industries, tax evasion and financial and climate crises represent one of biggest market failures ever. **Strong accountability and regulatory frameworks are needed to ensure private sector's contribution to sustainable development.**

If public development or climate finance is allocated to the private sector or public finance is used to leverage private investments for development, countries need to ensure that; 1) there are clear criteria which are applied ex-ante, to determine whether a specific private sector actor is fit for partnership, 2) development effects are evaluated before and after, 3) sound risk assessments, including social and environmental considerations, are carried out, 4) democratic ownership, transparency and accountability, focus on results and other aid effectiveness principles are realized, 5) supporting the development of developing countries' local private sector is considered a primary objective, 6) tax avoidance is prevented, 7) strong fiscal and debt safeguards are required 8) binding corporate accountability standards are used and 9) environmental sustainability is taken into account.

The importance of introducing new public financing sources that are predictable, additional and fair. The discussion on innovative financing should be focused on introducing new public financing sources like cutting environmentally harmful subsidies, adopting FTT, allocations of special drawing rights, carbon taxes and taxes for aviation and marine transport.

The focus of ODA to finance public services. ODA has a unique mandate to directly target development and it remains an important resource for countries with the highest levels of poverty and the lowest levels of domestic resources. Limited ODA resources should be channeled primarily to support public sector's capability to provide public services ensuring fulfilment of human rights and democratic ownership. Donors should meet their 0,7/GNI target and continue to improve aid effectiveness by addressing bad practices that undermine effectiveness, such as tying aid as well as ignoring country-owned systems. The fragmentation of ODA needs to be stopped. Finally, new and additional funds for climate financing need to be ensured.

The task that has been given to the Intergovernmental Committee of Experts on Sustainable Development Financing is crucial for our common future, and we as civil society representatives

stand here to support you. We look forward to a continued consultative process, where we are invited to provide input and expertise in a fully participatory way.

Yours sincerely,

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