

Preparatory Process for the Third International Conference on Financing for Development

Written comments submitted by Switzerland in response to the Elements Paper prepared by the Co-facilitators

Berne / New York, 12 February 2015

A. General Comments

Switzerland believes that the Elements Paper has captured the essence of the discussions thus far and has provided all elements needed for the first draft of the outcome document. Switzerland would like to share the following overall observations for consideration for the Zero Draft of the Addis Ababa outcome document:

When consolidating, specifying and concretizing elements currently proposed in the Elements Paper, the Co-Facilitators should be guided by what is feasible, realistic and what most effectively contributes to sustainable development. The Addis Ababa outcome document should refrain from including a laundry list of policy proposals and instead focus on those policy changes that could truly transform the way all finance – public and private, international and domestic – is allocated and brought in line with sustainable development goals.

Switzerland supports the building blocks and structure proposed by the Elements Paper, however, the structure needs to be approved by Member States during the Drafting Sessions. We believe that you have

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The Addis Ababa outcome document is about defining an overall implementation

environmental dimension is too narrowly limited to climate finance, while neglecting other important areas, such as water, biodiversity or chemicals and waste. As an illustrative example, since the Addis outcome document is tasked with providing a framework for sustainable development Post-2015, it would be consistent to use the term sustainable development throughout, for example replacing statements such as “development-oriented venture capital funds” with “sustainable development-oriented venture capital funds”.

We would like to make the following specific comments:

Sound economic policies and an enabling environment for sustainable investment and business practices are at the core of efforts to raise domestic resources.

Efforts to raise domestic resources and crowd in additional investments from international actors for sustainable development will be successful in the long run only if sound economic policies and an enabling environment provide the right incentives for businesses to invest and generate employment and income opportunities for the population at large and for households to save, accumulate assets, and invest in their future and the future of their communities. These efforts must be underpinned by a continued focus on good governance, the rule of law, accountable and responsive public institutions, as well as a sound, transparent and reliable public financial management framework that ensures fair and equitable mobilization and effective spending of public revenues.

Realism and feasibility should guide efforts to improving domestic resource mobilization. DRM is an essential part of the Post-2015 Agenda, yet it is also an extremely challenging one, both in technical and political terms. We thus have to strive for realism and feasibility when setting the final agenda in this area without compromising our ambition.

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An integrated risk management approach can contribute to making public investments resilient to disasters and other natural

coordinated efforts by implementing globally agreed standards at the domestic level. We also see value in agreeing on an internationally agreed definition of Illicit Financial Flows. **The Addis Ababa outcome document should provide standards of good practices for the recovery of stolen assets that help ensure that returned assets will indeed benefit the population of the country of origin.** It should promote the use of tailor-made solutions to ensure that the returned assets will indeed benefit the population of the country of origin, as restitution can be a delicate matter if corruption is endemic in the country of origin of the assets. Possible approaches in such cases include: setting up an independent monitoring mechanism, returning assets via an international organization that runs programs in the country of origin, or cooperating with NGOs.

Fossil fuel subsidies should be eliminated and be replaced by more effective social safety nets that benefit the poor. Fossil fuel subsidies induce behavior that conflicts with sustainable development and is often times regressive, as large shares of the subsidies are absorbed by the middle and higher classes. Eliminating these subsidies would free resources for targeted transfers to the poor. The recent slump in oil prices provides a once in a lifetime window of opportunity to fix harmful energy policies.

We support measures aimed at strengthening sustainable procurement systems to support effective, equitable and sustainable development. Public procurement is an important mechanism for countries and international organizations to promote environmental and social safeguards, ensuring that contracts are awarded to businesses that operate in a socially and environmentally responsible manner and thus foster innovation.

We consider that solutions to improve public financial management require a systemic perspective including both technical and policy reforms. Switzerland is ready to provide partner countries with technical support, advisory services and training on a bilateral, regional and multilateral basis to improve the capacity of their tax administration and design transparent, fair and competitive tax regimes and establish local currency capital markets.

C. Domestic and International Private Finance

Providing a conducive domestic environment for the private sector to thrive is a primary responsibility of each country. It should also be a top priority for the Financing for Sustainable Development framework. Good fundamentals are necessary to ensure that the private sector can thrive and create jobs, innovate, and contribute to economic development. This is true for large businesses as well as small and medium enterprises, which form the lifeblood of economies

as evidence has shown that growth in lagging areas within a country is particularly pertinent to inclusive growth and reducing inequalities. Moreover, in many countries, increased access to financial services can help empowering women and enabling them to partake in the economy and thus contribute to economic growth and development.

The Addis Ababa outcome document could support the development of impact investments and the overall impact investment ecosystem by lowering the risk of these investments. Addis should promote the increased availability of impact investment funds, which are investing in projects where both a financial and economic return is sought, for example in fragile countries or LDCs, through the provision of seed funding, technical assistance, first loss investments or guarantees. Furthermore, targeted modifications of national tax regimes and financial sector regulations in developed countries to generate special provisions for socially and environmentally oriented capital could unlock and promote additional private investment activities in developing countries.

D. International Public Finance

The Elements Paper clearly presents the evidence on how international financing has changed dramatically since Monterrey and Doha and how other sources of cross-border finance have grown at a much faster pace than ODA in the past 15 years. ODA will be nowhere near sufficient to finance the ambitious and universal Post-2015 Agenda we are all striving for. In order to understand the complementary and catalytic role ODA plays compared to other sources of finance, the Addis outcome document needs to find a balance between the firm commitment to ODA; as well as showing an understanding that ODA alone will not nearly be enough to finance the Post-2015 Sustainable Development agenda. We would like to highlight the following points in relation to the importance of international public finance for sustainable development:

The role of ODA remains critical and central in the pursuit of sustainable development. ODA targets the poorest people in a way other sources of external and domestic finance cannot, and it is more poverty sensitive and counter cyclical than any other sources of finance.

To reach the goal of ending poverty everywhere, more progress can be made in targeting ODA to contexts where needs are biggest and no other sources of financing are available. Switzerland supports measures to better target ODA to countries most in need, including LDCs and lower middle income countries and in particular countries affected by conflict, as these countries highly depend on ODA and

have limited access to other sources of finance. In this regard, we also strive to progressively increase the share of Swiss ODA to LDCs. We further believe that ODA should focus on vital global public goods that have tremendous positive spillovers and for which alternative funds are difficult to raise.

The Addis Ababa outcome will have to show how ODA can be used in a smart way to leverage other sources of financing for sustainable development, both public and private at domestic and international levels. This may require a review of the way development actors operate and how they are applying different financing instruments.

The development effectiveness agenda forged in Monterrey and further developed in Paris, Accra and Busan needs to be completed and reflected in the Addis Ababa outcome document. We also need to ensure increased coherence and strengthened linkages of ODA with all three pillars of sustainable development including climate finance. The work and experience of initiatives that bring together specific and mutually reinforcing expertise from multiple stakeholders, such as the Global Partnership for Effective Development Cooperation (GPEDC) and the Development Cooperation Forum (DCF) should be taken into account. Switzerland supports ongoing work towards strengthening complementarity and synergies between the DCF and GPEDC processes based on their respective comparative advantages. These initiatives should also be seen in the broader context of monitoring, reporting, follow-up and review of the Post-2015 Agenda, in particular how they relate to the High-Level Political Forum on Sustainable Development (HLPF).