CONFERENCE ON FINANCING SUSTAINABLE DEVELOPMENT
CURBING ILLICIT FINANCIAL FLOWS
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THE BEIRUT CONSESNUS

ON FINANCING FOR DEVELOPMENT

The topography of the Addis Ababa Action Agenda
adopted at the Third International Conference on Financing for Development
offers a viable stencil to capture the convergence emerging from the multi-stakeholder deliberations
taking place at the First International Conference on Financing Sustainable Development organized by the
Economic and Social Commission for Western Asia (ESCWA)
in Beirut on 28-29 November 2018

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[Towards a Regional Road Map to implement the UNSGs Financing for Development Strategy (2018-2021)]

Systemic and structural issues:

1- We note that the Financing for Development outlook remains challenging. Developing and least developed constituents are contending with escalated levels of tension and tightening global monetary conditions. These conditions are exacerbating capital outflows. They raise debt distress levels and the cost of securing financing. Reversals from 'quantitative easing' to 'fiscal policy tightening' could lead to FfD inequalities. Trade and investment protectionism are challenging the multilateral trading system and threatening developing countries' terms of trade. These conditions are challenging FfD national realities and regional contexts. The Arab region is no exception, as it continues to bear the brunt of 3Fs—***financial*** constraints, ***funding*** shortfalls and ***financing*** inequalities.

2- We have heard several calls for appropriate focus to be placed on improving the international financing environment and governance to balance the emphasis placed on domestic resource mobilization. We've also heard that there is an outstanding mandate to be fulfilled in so far as aligning global financial and economic policies with the 2030 Agenda, and we need to do so in a manner that factors regional contexts and national propensities to finance sustainable development.

Participating Agencies, Institutions, Organizations, Entities and Groups

Domestic and International Private Finance:

3- The current levels of international private inflows remain insufficient to fill the SDG investment gap. FDIs have become more volatile and risk averse and a times falling short of generating employment and investment multipliers. Efforts to ensure a sustained long-term flow of private investments are giving way to harmful competitive practices and fiscal conjectures that are further eroding the tax base. Several speakers alluded that multinational corporations are paying significantly lower tax rates than before the 2008 financial crisis.

4- We have also heard calls to reconsider the ‘private finance first’ attitude towards development finance. These calls reaffirm the centrality of public policies and resonate with the Ministerial Declaration adopted by the G77 and China in this regard. Incentivizing the private sector is not a generic commitment nor should it be a ‘size-blind’ commitment. A public concession to incentivize the private sector should be reciprocated with accountability to avert ‘socializing risks while privatizing or guaranteeing private benefits’. Some have indicated that “*there is insufficient evidence that ‘blending’ mobilizes additional private flows or increases sustainable development impact*”. We therefore need to redirect attention towards addressing de-risking practices and the loss of corresponding banking relations as well as the use of innovative ways to bridge the SME funding gap.

5- Consensus has emerged over the need to realign current business models to be better equipped to finance sustainable development, requiring affirmative financing action and new public norms, policies and sustainable long-term investments of all kinds.

International Development Cooperation - Official Development Assistance:

6- In nominal terms, ODA has been increasing, but larger portions are being redirected to cover refugee costs and humanitarian assistance in donor countries. ODA remains essential for many countries. It is, therefore, important to make progress towards meeting the ODA commitments of the Addis Ababa Action Agenda. Some views were expressed cautioning against investing ODA in blended mechanisms and that ODA should rather be directed to strengthen domestic resource mobilization and tax collection capacities. Equally, caution was raised against diverting ODA from its initial intended usages, namely to finance socio-economic projects for poverty alleviation and tackling inequalities.

International Trade as an engine for growth and financing sustainable development:

7- Policy and market failures are symptoms of the inability to reform global trading rules and adapt regional trade arrangements to sustainable development imperatives. They also represent a reminder of the importance to conclude the Doha Development Round and operationalize the special and differential provisions availed to developing countries and least developed countries. Structural deficiencies are amplifying international commodity prices in local markets. More importantly, the policy space for pursuing sustainable development must not be obstructed by new trade rules. A new multilateral agenda based on ‘*trade justice’* rather than ‘*trade equality’* is needed.

8- An open dialogue over the trade and sustainable development nexus needs to be emphasized and strengthened. Sustainable development is not currently a priority in the global trading system or its rules. It is dealt with obliquely and does not appear to pose a binding legal rule to realize the 2030 Agenda. The WTO agreements themselves do not provide a concrete legal premise to invoke sustainable development considerations to curb illicit trade for example. Regional trade continues to provide pathways to finance development. Trade finance needs to be revamped so that countries can latch onto global and regional value chains and reap FfD outcomes.

Debt and Debt Sustainability:

9- Rising levels of debt distress are emerging due to the accumulation of gross public and external debt stocks. The situation has pushed the demand for higher yields on new bond issuances, growing spreads on debt guarantees, swaps and delayed IPO issuances. Some speakers pointed that low and middle-income countries have seen their yield payments on bond issuances increasing and for the same group of countries their currencies also depreciating.

10- As the debt bubble continues to rise to unprecedented levels, calls are being made to urgently establish a multilateral debt workout mechanism to restructure the sovereign debt of countries in crisis. In fact, in 2014, the UNGA adopted procedures to respond to debt crises, however all countries need to commit to the effective, fair and transparent workout process.

Domestic Resource Mobilization:

11- Broadening the tax base holds potentials to financing sustainable development, but this should be pursued with utmost prudence to avoid further socio-economic hardships that aggravate poverty, push more firms and economic activity deeper into informality and/or instigate illicit financial flows. Volatile international capital outflows and repatriation of profits on foreign investments are breeding harmful tax policies. Developing countries, including many in the region therefore resort to excessive corporate tax incentives and make up the difference through regressive taxes (easier to collect, but strain low-income tax payers, raising further concerns over economic inequality).

12- We have heard interesting and valuable perspectives, from international and regional experts; the civil society and Member States, on:

- The need to address international tax and secrecy havens, massive tax evasion and avoidance, abusive transfer pricing, harmful tax competition, and illicit natural resource trading that significantly depress countries' ability to mobilize domestic resources to finance sustainable development;
- Frameworks to combat Base Erosion and Profit Shifting have been welcomed, but some have indicated that there is a need for an inclusive UN tax commission to be established. More work needs to be pursued to ensure that exchange of tax information, beneficial ownership is made publicly accessible, and that mandatory country-by-country reporting by multinationals is needed to ensure that harmful tax policies, tax havens and secrecy jurisdictions do not continue to facilitate tax evasion and illicit flows;
- Suggestions have been made to consider new indicators to capture misalignments in the profits reported by multinational corporations for which no underlying activity has taken place;
- The region requires a set of standalone legislations to combat trade-based money laundering and institutional structures at the regional (LAS) and sub-national levels (GCC, Agadir etc).

I would like to thank you once again for your active participation and we look forward to collaborating with all participating stakeholders to operationalize the *'Beirut Consensus on Financing for Development'*.

Equally, we hope that both the current and upcoming Presidency of the G77 and China (along with RCNYO) would consider this multi-stakeholder consensus and propel it through the different FfD processes and milestones that are to take place next year, as well as within the repositioning of the role of regional commissions within the reform of the UNDS system.