THE PRESIDENT
OF THE
GENERAL ASSEMBLY

5 May 2015

Excellency,

I have the honour to transmit herewith Summaries of the key messages and proposals from the Informal Interactive Hearings with the representatives of Civil Society and the Business Sector on Financing for Development held on 8-9 April 2015 at United Nations Headquarters, New York.

You will recall that General Assembly resolution 68/279 on the Modalities for the Third International Conference on Financing for Development requested the President of the General Assembly to convene informal interactive hearings with representatives of civil society and the business sector, and to prepare summaries which may serve as inputs to the preparations for the Conference.

The summaries will also be issued as official documents.

Please accept, Excellency, the assurances of my highest consideration.

Sam K Kutesa

All Permanent Representatives and
Permanent Observers to the United Nations
New York

**Informal Interactive Hearing with the Civil Society on Financing for Development**

**UN Headquarters New York**
**9 April 2015**

**Summary**

## Introduction

The Informal Interactive Hearing with Civil Society on Financing for Development was convened on 9 April 2015 and comprised an opening session and four interactive panel discussions. During the opening segment, remarks were made by the Acting President speaking on behalf of the President of the General Assembly (PGA); Ms. Tessa Khan, Asia Pacific Forum on Women, Law and Development (APWLD); and Mr. Nazeem Martin, Managing Director, Business Partners Ltd.

The interactive panel discussions, including panellists and moderators from civil society, as well as Member States and civil society respondents, focused on the following themes: "Domestic public resource mobilization, including international tax cooperation"; "International public finance, including ODA and innovative sources of finance"; "Systemic issues, including global economic governance and external debt" and "International trade and investment, including private finance". The following is a summary of the key messages and proposals from the hearing.

## Opening segment

The Acting PGA noted that there were high expectations for an ambitious and successful outcome from the Third International Conference on Financing for Development Conference (FfD3) to support the implementation of a transformative post-2015 development agenda. He added that the proposed 17 Sustainable Development Goals (SDGs) were ambitious and the resources required to achieve them were substantial. He stressed that a strengthened financing for development framework with concrete deliverables, scaled-up resources and a renewed global partnership for development, is required.

Ms. Tessa Khan focused her comments on the zero draft of the Outcome document and noted that, in its present form, the draft still lacked important elements on poverty eradication, equitable distribution of wealth, especially with regard to women's empowerment, and promotion of human rights. She also stressed the need for greater international tax cooperation and strengthening the role of the UN in promoting discussions on sovereign debt restructuring.

Mr. Nazeem Martin highlighted the important contribution small and medium-sized enterprises (SMEs) make towards sustainable development and called on governments to provide a stable, predictable and fair environment for SMEs to grow and thrive. Businesses, civil society and governments should have shared values, and the interests of SMEs need be taken into account when formulating policies and strategies.

## Panel presentations and interactive discussions

Following the opening segment, presentations were made by Mr. Sameer Fazal Dossani – (ActionAid International); Ms. Tove Maria Ryding (European Network on Debt and Development); Ms. Norhan Sherif Mokhtar (Egyptian Center for Economic and Social Rights)

Mr. Kudakwashe Dube (International Disability and Development Consortium and Africa Disability Alliance); Mr. Claudio Guedes Fernandes (ABONG-Brazilian Association of NGOs); Ms. Shantal Munro-Knight (Caribbean Policy Development Centre); Ms. Cristina Diez Saguillo (International Movement ATD Fourth World); Ms. Mbathio Samb (Development Alternatives with Women for a New Era); Ms. Anne Elisabeth Schoenstein( Association for Women's Rights in Development); Ms. Lydinyda Nacpil (Jubilee South); Ms. Marina Fe B. Durano (Asian Center at University of the Philippines-Diliman); Mr. Eric LeCompte (Jubilee USA Network); Mr. Stefano Prato (Society for International Development); Ms. Maria Del Carmen Gonzalez (Confederacion General Del Trabajo Argentina); Mr. Gyekye Tanoh (Third World Network Africa); and Ms. María José Romero (Eurodad). Several Member States respondents made interventions following the presentations.

The key messages and proposals from the presentations and ensuing interactive discussions are summarized below:

***Domestic public resource mobilization, including international tax cooperation***

1. Panellists emphasized that domestic public resource mobilization is a central component of financing for development. However, in many countries it is severely constrained by tax evasion and avoidance, the existence of tax havens, corruption, and illicit financial flows. Speakers called for greater taxation compliance and taxation of the corporate sector, extractive industries, and wealthy individuals and for companies to be taxed where economic activities take place. International tax cooperation is needed to improve international tax rules and regulations.

2. Initiatives by the Group of Twenty (G-20) major economies and the Organization for Economic Cooperation and Development (OECD), such as developing tax and transparency standards, on automatic exchange of information and base erosion and profit shifting (BEPS) were recognized, but it was highlighted that all Member States need to participate in discussions that directly affect their national tax policies.

3. The FfD3 outcome should have a clear mandate to establish a UN intergovernmental body on tax cooperation, with universal membership, and provide concrete deliverables and commitments to combat tax evasion and avoidance. It was noted that such a body may not replace the current Committee of Experts on International Tax Cooperation, but could function as its subsidiary.

4. There were calls for the FfD3 outcome to adopt a definition on illicit financial flows and a possible target for combatting them. It was also recommended that Member States should agree to conduct periodic, independently-verified and participatory impact assessments of the spill over effects of their tax laws, policies and agreements on the achievement of sustainable development goals in other countries.

5. Domestic resources are critical in providing essential public services, especially for the most vulnerable groups, including people with disabilities. Suggestions were made to incorporate additional references to persons with disabilities and enabling their access to facilities and infrastructure in the zero draft.

6. Member States respondents concurred with panellists that improved domestic resource mobilization and tax cooperation should be key deliverables of the FfD3 Conference. The importance of technical assistance and capacity building to strengthen developing

countries' national capacity in tax administration, including tax collection, digitalization of systems, audit capacity, among others, was underscored.

7. The need for respect of national policy space was emphasized by some, while effective use of public resources, fighting corruption and strong democratic institutions and rule of law were also highlighted as key elements of improving domestic resource mobilization.

8. While some speakers proposed that FfD3 should support the definition of standard rules for exchange information and confidentiality, others stressed that information should be shared at all levels, in a two-way flow, and that national security should not be used as reason to conceal information.

9. While some respondents supported the call for a UN intergovernmental tax body, others suggested that, in moving forward, consideration should be given on how to make the best use of efforts and initiatives of Group of Twenty (G-20) major economies and the Organization for Economic Cooperation and Development (OECD).

10. There is need for more inclusive GDP growth, including increasing women's participation and other marginalized groups, which could contribute to widening the tax base and increased resource mobilization.

***International public finance, including ODA and innovative sources of finance***

1. Panellists underscored that ODA remains a critical source of financing, especially for the least developed, and the need to fulfil commitments, and to reverse the trend of decline in aid to Least Developed Countries (LDCs) was stressed. Improving quality of development assistance was highlighted, in particular its alignment with national development priorities and ending of conditionalities. The proposal in the zero draft for "increased joint programming based on national strategies, fully untying aid, strengthening its results orientation and use of country systems" was welcomed.

2. It was emphasized that the use of public finance, including ODA, to leverage private finance could increase resources but it also entails risks. Hence, there is a need to ensure that blended finance mechanisms are transparent, inclusive and accountable.

3. The UN Guiding Principles on Extreme Poverty and Human Rights was said to provide a good framework for policy makers in designing ODA policies or public policies targeted towards poverty eradication. Speakers emphasized the need to prioritize investments in building the capacities of statistical institutions, which could ensure availability of disaggregated data and improved monitoring of ODA impact on sustainable development by income, gender, age, ethnicity and other relevant dimensions.

4. Panellists noted that ODA will not suffice to meet the financing needs of the new development agenda and stressed the centrality of domestic resource mobilization and the potential contribution of innovative financing mechanisms. The need to ensure that such innovative mechanisms strengthen national ownership and compliment, rather than replace, ODA flows was underscored.

5. It was also noted that climate change financing should be additional and should not be double-counted as ODA. It was stressed that climate change is major concern, particularly for Small Island Developing States (SIDs).

6. Among Member States respondents, there was concurrence that ODA targets should be met, including by reversing the trend of declining aid to the LDCs. However, it was noted that even when the commitments are fulfilled they could not meet the enormous financing needs of the post-2015 development agenda. Delegations stressed the importance of ODA quality and called for best practices and principles of development effectiveness to be adhered to. The catalytic role of ODA was emphasized.

7. Many participants underscored that ODA processes should uphold mutual responsibility and obligations of governments to fulfil existing internationally agreed development agendas and goals.

8. There were calls for meeting the ODA target of 0.7 per cent of GNI by 2020, as proposed in the zero draft, with clear and "binding" timetables and to target ODA to benefit the poorest 20 per cent of the population in recipient developing nations.

9. It was noted that innovative mechanisms of financing can provide additional resources, and reference was made to the work being conducted by the Leading Group on Innovative Financing for Development, as well as to the implementation of multi-jurisdictional financial transactions taxes, multi-stakeholder partnerships, and the promotion of co-operatives and other social and solidarity economy organizations.

***Systemic issues, including global economic governance and external debt***

1. Panellists stressed that systemic issues such as the need to achieve greater coherence of the international financial, monetary and trading systems in support of sustainable development, should remain an important part of the FfD3 outcome document.

2. It was noted that international financial regulatory reform remains unfinished. More progress is needed in regulating the over-the-counter derivatives market and the shadow-banking sector and ending the too-big-to-fail theory, where certain corporations, particularly financial institutions, are so large and so interconnected that their failure is considered to be disastrous to the greater economic system.

3. There were calls for the UN to assume a more prominent role in the promotion of a human rights-based international financial reform agenda that respects the three dimensions of sustainable development and to devise new regulations and policies that contribute to reducing developing countries vulnerability to macroeconomic instability. More attention to capacity building to improve capital flow management in developing countries was suggested.

4. Many speakers underscored the need for changes in global economic governance, in particular to provide fair and equitable representation at international financial institutions for developing countries. Some panellists noted that as the zero draft promotes the contribution of Bretton Woods Institutions to global financial stability, it should also recognize the role their policies have had in deepening inequalities.

5. It was highlighted that the high-level annual dialogue between the UN Economic and Social Council (ECOSOC) and the World Bank, the International Monetary Fund, the World Trade Organization and the United Nations Conference on Trade and Development needs to be strengthened and outcome-oriented to promote greater coherence between finance and development issues. There was a proposal for a Financing

for Development Commission to provide a stronger platform for such discussions at the UN.

6. There was a call for the Outcome document to endorse the UNCTAD Principles on Responsible Lending and Borrowing, and to include a reference to debt audits by lenders and borrowers.

7. Some speakers underscored the need to address the debt situation of LDCs, including through full debt cancellation, and that countries in crises and those heavily affected by climate change should get preferential support. It was further recommended that the Outcome document should call for commitments to the Catastrophe Containment and Relief (CCR) Trust of the IMF, for provision of grants for debt relief for the poorest and most vulnerable countries that are affected by catastrophic natural or public health disasters.

8. It was stressed that achieving the full realization of human rights, including women's rights, gender equality and women's empowerment is central to any sustainable development agenda. There was concern on the lack of references in the zero draft to resources dedicated to the advancement of women's rights and a suggestion was made for mainstreaming of gender perspectives in financial, monetary and all development policies.

9. There was a view that the recent Ebola outbreak in West Africa reflected, in part, a systematic failure of multilateral lending that did not adequately focus on building effective public health prevention and primary care services. The importance of ensuring that financing for equitable and sustainable development is people-centred was stressed.

***International trade and investment, including private finance***

1. Speakers called for a comprehensive review of trade agreements and investment treaties to identify areas where they may limit developing countries' ability to, *inter alia,* regulate and ensure inclusive capital flows, improve livelihoods, create opportunities for decent jobs, enforce fair taxation, and deliver essential public services.

2. There were concerns regarding the delays in concluding the Doha round of trade negotiations. The importance of continuing working for a solution in the WTO was stressed, as well as the need for an international trade agreement complimentary to existing arrangements. The inclusion in the zero draft of the need to have safeguards in trade and investment regimes was welcomed and it was suggested that the WTO could have a role in ensuring the mainstreaming of such safeguards in trade agreements. Calls were made for capacity building mechanisms to support a better and most favourable integration of developing countries in international trade systems and the global value chain.

3. Panellists emphasized the need for a balanced approach to international private finance in the Outcome document. They noted that increased emphasis on the role of business sector should be accompanied by a strengthened regulatory role by the public sector.

4. It was noted that the use of public money, including blended finance, public-private-partnerships (PPPs) and ODA, to leverage private finance could raise additional resources but entailed risks as well.

More careful consideration of these mechanisms should be given in the Outcome document, in order to avoid the associated risks and transfer of government responsibilities to provide social services to the business sector. The need to ensure that such mechanisms are transparent, inclusive and accountable was stressed.

5. Specific proposals were made for the Outcome document to differentiate between domestic business sector and multinational corporations and to better qualify calls for infrastructure development, with a view to avoid unsustainable projects, such as structures connecting extractive areas to ports rather than promoting integration of national and regional economies. The promotion of global value chains, without adequate reflection of the need to promote value addition and industrialization, and the lack of reference to the question of improving commodity regimes, were issues of concern.

6. There were calls for international trade and investment treaties not to limit government's policy space to expand their tax base in a progressive way and emphasis was given to reducing tax exemptions that impair government's ability to collect taxes from multinational corporations.

7. Multinational enterprises should also be responsible for the respect of human rights, including women's rights, international labour standards and environmental integrity throughout their supply chains. Voluntary commitments are insufficient to ensure transformative change towards sustainable development. Legally binding instruments should be developed to hold multinational enterprises accountable for shortcomings along their supply chains. There was a proposal that the Office of the High Commissioner for Human Rights could monitor the implementation of the UN Guiding Principles on Business and Human Rights, listed under pillar 2 of the United Nations Global Compact.

8. Speakers welcomed the proposal made in the zero draft for mandatory integrated financial and sustainable development reporting. Based on this proposal, speakers called for full and transparent economic, environmental, social and governance (EESG) reporting by 2020 for all large and listed companies.

9. Member States respondents underlined the importance of trade and investment for sustainable development. The need to ensure that the private sector, in particular multinational corporations, respects human rights and abides by internationally agreed labour standards, was underlined. It was suggested by some speakers that references to international human rights' agreements be included in the zero draft, even as footnotes, so that efforts in financing are not disconnected to progress achieved in other areas.

10. While the important role that multi-stakeholder partnerships can play in financing was recognized, it was noted that they should not be perceived as the "great solution" for the implementation of the new sustainable development agenda. It was noted that the roles of the public and private sectors are distinct though complimentary. Some speakers stressed the need for predictability, respect for the rule of law and commitments to environment protection for sustainability.

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**Informal Interactive Hearing with the Business Sector on Financing for Development**

United Nations Headquarters

New York, 8 April 2015

**Summary**

## Introduction

The Informal Interactive Hearing with the Business Sector on Financing for Development was held on 8 May 2015. It comprised an opening segment and three interactive panel discussions focusing on the following themes: "Infrastructure Financing", "Small and Medium-sized Enterprises (SMEs) and Finance", and "Responsible Investment and Environmental, Social and Governance (ESG) considerations throughout the Investment Chain".

During the opening segment, Statements were made by H.E. Mr. Nicholas Emiliou, Permanent Representative of Cyprus, Acting President, on behalf of the President of the General Assembly; the Secretary-General of the United Nations, H.E. Mr. Ban Ki Moon, the Secretary-General of the International Chamber of Commerce (ICC), Mr. John Danilovich, and the Executive Director, Instituto del Tercer Mundo and Coordinator, Social Watch, Mr. Roberto Bissio.

The following is a summary of the key messages and proposals from the hearing.

## Opening Segment

The Acting President emphasized that the new transformative agenda being formulated will require mobilization of substantial resources for its implementation. He called upon participants to propose measures and actions on how businesses can enhance their participation and contribution to the achievement of sustainable development. He underscored that private sector commitment is vital for the success of the upcoming Third International Conference on Financing for Development to be held in July 2015 in Addis Ababa, and the implementation of the post-2015 development agenda. Increased investment in infrastructure, including energy, water, transport and agriculture, he noted, will be critical to support economic growth, employment, structural transformation, environmental sustainability and social inclusion.

The UN Secretary-General emphasized that a successful outcome from the Addis Ababa Conference is crucial for securing an ambitious post-2015 development agenda and a comprehensive agreement on climate change in December 2015, in Paris. Stressing that all sources of funding must be tapped, he invited the private sector to be partners in supporting and financing sustainable development, including through partnerships and collaboration.

The Secretary-General of the International Chamber of Commerce stressed that businesses are at the bedrock of society, creating products and services to make lives easier but also providing jobs and crucial investments into local communities.

He underscored the importance of an enabling environment to allow companies of all sizes to operate effectively and contribute to society.

He also noted that several surveys have shown that access to trade finance is the biggest barrier to SMEs looking to trade internationally, which calls for appropriate policy response to address supply side constraints in the financial sector.

The Executive Director, Instituto del Tercer Mundo and Coordinator, Social Watch, stated that businesses are key actors in sustainable development but they do not all have the same role. Small enterprises are major generators of employment and need to operate in a fair environment. He referred to the UN process to define a legally binding instrument on the human rights obligations of corporations, noting that it would be in the long-term interest of SMEs and host economies.

**Panel presentations and interactive discussions**

***Infrastructure financing***

The moderator of the panel on Infrastructure Financing was Ms. Veronica Zavala, General Manager of Strategic Planning and Development Effectiveness, Inter-American Development Bank. The panellists were Ms. Orli Arav, MD of Emerging Africa Infrastructure Fund; Mr. Tom Speechley, Partner, Abraaj Group, CEO North America; Mr. Michael J. Discenza, Chief Financial Officer, GeoGlobal Energy LLC ("GGE"); Mr. Glen Ireland, Founding Partner of InfraShare Partners; and Mr. Fathallah Oualalou, Mayor, Rabat. The key messages and proposals from this panel included the following:

1. Speakers emphasized that the unmet infrastructure needs were large, and there is urgent need to bridge the gap between demand and supply in infrastructure investment, especially in developing countries, both in terms of quantity and quality. This requires a strong enabling environment that includes stability, good governance, and transparent policies and regulations.

2. It was pointed out that infrastructure comprises physical (e.g. roads, ports, telecommunications, energy) and social infrastructure (e.g. health, education). Both of these categories of infrastructure are necessary to achieve the Sustainable Development Goals (SDGs). It was noted that there are considerable pools of capital available for large-scale investment into infrastructure, both domestically and internationally, and that investing in developing countries can bring higher return rates.

3. It was highlighted that project development and preparation is a major challenge to be addressed. Public funding is needed to help prepare a pipeline of bankable projects and for taking the risk at this initial stage; multilateral institutions have public-private-partnerships (PPP) units that can advise governments on how to negotiate and prepare PPPs.

4. Risk mitigation tools can unlock additional resources for sustainable development and risk pooling, such as blended finance and PPPs, have had positive impact. It was noted that a financing facility established with donor money to support infrastructure investment in Africa has had positive results by engaging government resources and leveraging traditional commercial bank financing. There is need for governments to provide guarantees and cushioning in the beginning, given the importance of the demonstration effect for the private sector. However, with further development of initiatives, resources used as support can be released and recycled into new projects/areas.

5. Concessional finance from multilateral development banks (MDBs) was also highlighted as providing important support for leveraging private sector investment and a call was made for MDBs to assume greater risks.

6. Tax exemptions and benefits in land usage were also noted as possible incentives, but speakers highlighted that, above all, clarity with regards to regulations, both relating to concessions and taxes, and their uniform application, with a level playing field to all, are vital.

7. Given that adjusted returns in developing countries are usually better than investors think, it was recommended that efforts be directed to reduce the perception gap, an approach less expensive than measures to reduce risk. It was further noted that sovereign credit rating can block the ability of investors to finance good projects and alternatives should be found to overcome this problem.

8. Education of investors and good understanding of local rules and regulations is important for projects to succeed. For that reason, there is great promise in efforts to unlock local private resources and more should be done to ensure that local commercial banks and other locally available funds develop better knowledge of PPPs. Panellists further suggested that cost-efficiency can be best attained by catalysing a number of projects of a similar type within a country or a region, as it maximizes foreign investors' efforts in understanding the legal framework and assessing risks in a new investment environment.

9. Shared use of infrastructure to serve both industrial and social needs was proposed as a way to explore the full potential of bankable projects and mitigate difficulties in finding investors for social infrastructure. However, for that to happen, governments need to have a vision and a plan of social infrastructure needs in place ahead of the conception of industrial infrastructure projects.

10. On healthcare, panellists recommended a compact between government, donors and the private sector to collectively build healthcare systems and bridge the supply-demand gap. The impact of NCDs in developing countries was highlighted, with costs of treatment for those diseases sometimes dragging families back to poverty. There was a call for governments to reflect on the establishment of universal health coverage, and the risk pooling model can contribute to that goal.

11. Local authorities need greater authority and capacity to manage urban finances, urban infrastructure, and service provision.

12. There was recognition of the persistent imbalance between local authorities and central government in the negotiation of PPPs. It was noted, however, that there are funds available to support capacity building for governments who want to develop PPPs. Having benchmarks could enable governments to better understand what concessions are important for the demonstration effect. Blanket risk guarantees from governments are not the solution and should only be required for a few years while a demonstration effect is created.

***SMEs and Finance***

The moderator of the panel on SMEs and Finance was Mr. Matthew Gamser, CEO G20 SME Finance Facility. The panellists were Ms. Inez Murray, CEO of the Global Banking Alliance for Women; Ms. Kruskaia Sierra Escalante, Head of Unit Blended Finance, IFC; Mr. Esteban Altschul, COO, Accion International (LAC); and Mr. Nazeem Martin, Managing Director, Business Partners Ltd, South Africa. The key messages and proposals included the following:

1. SMEs are pivotal drivers of growth and employment and critical to the promotion of sustainable development. SMEs still face many of the challenges of 20 years ago and access to finance remains a major obstacle, in particular access to credit. There was a call for a sense of urgency in looking for solutions to this problem.

2. Innovation and information sharing rather than traditional bank approaches has a bigger potential for more active participation in financing to SMEs. There is a wide range of entities that can provide finance and complement bank lending, including large companies, crowd funding and e-commerce.

3. Several examples of innovative approaches were presented. These included i) development of online lending platforms, using algorism and big data analysis of social data as well as data available on the internet to facilitate assessment of credit worthiness; ii) use of overlooked data sources, as formal credit bureau data provided by regulators and government, to facilitate access to finance; and iii) several forms of blended finance, including donor money, government resources and more traditional commercial finance, with mechanisms ranging from co-lending, to public money covering first losses, to capital risk (as partners), to equity investments.

4. The example of a company that developed a specific financial product for SMEs was also presented. It is comprised, in general terms, of finance in the form of debt with favorable interest rates plus a fraction percentage of SME's turn-over rather than relying on owners' equity. This package is accompanied by technical assistance determined through a due diligence analysis with the client.

5. Technical assistance is as critical as finance. Provision of mentorship, expert support and financial education that helps put in place financial management systems, cash flow management, marketing strategies, human resources plans, among other services, were highlighted.

6. Strategic partnerships for technical assistance and education could be developed with civil society providing training, incubators supported by IFIs, use of donor resources to finance assistance at zero interest and national training institutions. Need to have stability of funding for technical assistance and role of governments are vital. Financial intermediaries, investors and regulators were also said to benefit from capacity building on support and finance to SMEs.

7. Another area with potential for great impact is the establishment of a specific and more flexible regime on what collateral should be understood for SMEs in order to allow them to be able to leverage assets they do have. Moreover, SMEs should have access as much as possible to local currency funds, since they are not well-suited to take on exchange rate risks, and the use of intermediaries could facilitate this process. It was also noted that trade finance is the single greatest barrier for SMEs looking to trade internationally.

8. Informal companies, including rural and women-lead companies, are facing many obstacles, especially with regard to access to finance and reliable data. Possible incentives

to formalize them include legalized tax reliefs or tax exemptions. More efforts are needed to target women entrepreneurs and to address the gender differences prevalent in the financial sector.

9. The importance of agricultural SMEs was underscored, and a recommendation was made for the zero draft to add a reference to access to technical assistance and inputs in paragraphs that already cover the need for financing infrastructure in the agricultural sector. On the issue of financing cooperatives and social corporations, it was recognized that financing institutions still have difficulties to develop specific due diligence process and financing schemes for them.

10. Technology is recognized as critical element in finding solutions to support SMEs and partnerships, including between banks and financial technology firms (Fintechs), can help. Online training, faster and direct contact between SMEs and investors, allowing more transactions to be made via cell phone, provision of tolls to help management of cash flows, developing potential of online markets and use of online tools to assess data concerning a SME's creditworthiness faster are possibilities to be further explored.

***Responsible Investment and ESG Considerations throughout the Investment Chain***

The moderator of the panel on Responsible Investment and ESG considerations throughout the Investment Chain was Mr. Georg Kell, Executive Director, UN Global Compact.
The panellists were Ms. Claudia Kruse, Managing Director, APG - Dutch Pension Plan Investor; Ms. Renosi Mokate. Chairperson of the Board of Trustees, South African Government Employees Pension Fund (GEPF); Mr. Bola Adeeko, Head, Corporate Services, Nigeria Stock Exchange; and Mr. Filippo Bettini, Head of Sustainability and Risk Management, Pirelli. The key messages and proposals from the panel discussion included the following:

1. As companies, markets and economies become more global and interdependent, businesses and investors are increasingly aware that their ability to profit and grow depends on the existence of a prosperous and sustainable society.

2. Principle-based voluntary initiatives are critical to paving the way towards mainstreaming corporate sustainability and responsible investment, and can be an effective first step towards effective regulations. These initiatives include the UN Global Compact, the Principles for Responsible Investment, the Sustainable Stock Exchanges initiative and the International Integrated Reporting Council. However, there is still need for scaling-up for transformative change.

3. Promoting ESG adoption throughout the investment value chain can result in greater volumes of private investment in SDGs and more development impact. The adoption of ESG considerations in private investments is becoming a driver of innovation and new investment opportunities that create long term value for business and society.

4. Examples of incorporation of ESG as part of business decision-making process were presented by different actors. A Government employees' pension fund explained how it embedded ESG criteria and sustainable development objectives into its investment policy framework. The fund promotes investments that aim to address social and economic challenges related to the social context where it operates, including infrastructure development, investments SMEs, and renewable energies, among others.

5. Another company dealing in asset management of pension funds explained how it holds companies accountable to ESG, including exclusion of non-compliant companies from their portfolio. It is important to create an environment that enables the advancement of integrated reporting and encourages private actors to adopt and communicate sustainability considerations. Integrated reporting can also help overcome lack of transparency concerns that constraint investment in developing countries by promoting better understanding of companies' strategies.

6. Stock exchanges also have a crucial role in promoting ESG and in leading by example, as is the case of a developing country stock exchange that endorsed the UN Global Compact anti-corruption call to action, will present Corporate Social Responsibility (CSR) reports and will ask its listed companies to do the same.

7. The stock exchange is undertaking further initiatives with sustainable development impact, such as diverting special attention to SMEs to enable provision of capital at scale on favourable terms and having listing requirements that are peculiar to them; as well as partnerships with other institutions to address financial exclusion by organizing financial literacy courses around the country.

8. From a company perspective, the ability to create value does not only depend on the financial statements, but also on having a business model that includes social and environmental strategies. The development of production plants based in developing countries, adopting best practices in technology and ESG indicators even when local laws do not require them, contributes to sustainable returns. Implementation of ESG considerations can also lead to cost avoidance, as in the case of energy saving strategies.

9. Policy changes should aim to enable investors to fully take into account ESG factors in their investment decisions rather than delaying or preventing investments. Reporting is essential, as it allows monitoring. The development of specific sector standards for reporting, as was done with private equity industries, could help have standardized reporting frameworks. Apart from institutional barriers, there is still lack of human capacity to allow the transformation of commitments to sustainable development into concrete actions.

10. Promotion of dialogue between investors and companies on ESG is critical to further promote responsible investment. The zero draft reference to integrated reporting should encompass a dialogue dimension. Some groups need to be better integrated for that to happen, like financial analysts. Quarterly reports could go beyond profitability and cash flow analysis to further discuss what is being done towards ESG promotion.

11. On initiatives that could contribute to sustainable development, the following were identified: the great potential of regional approaches, especially with regard to infrastructure; need for government reflection on having more flexibility on their pension funds; regional synchronization of financial systems and stock exchanges, including the establishment of cross board platforms for the region or related to individual goals. The importance of exchanges was highlighted as the critical platform to raise large amounts of resources. The role of MDBs and national development banks to facilitate risk management was also highlighted.

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