



UN Major Group for  
**Children and Youth**  
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*Multistakeholder interactive dialogue with the Inter-governmental Committee of Experts on Sustainable Development Financing (ICESDF), Monday 3 March*

A lot has been said about different financing strategies. We strongly support many of these points specifically related to the illicit flow of funds and tax avoidance & havens. In order to add content to the discussion we would make the following points:

The current pricing and costing regime systematically excludes the economic cost of environmental degradation caused by human action. A report titled “Natural Capital at Risk- Top 100 Externalities” which was compiled by multiple stakeholders including the UN, NGOs and the private sector; estimates this cost to be \$7.3 trillion. This is 13% of global economic output of 2009. No one is paying for this, specially the polluters.

The direct cost is borne by marginalized communities, which in turn creates an environment where no sector can flourish in the long term. Business cannot succeed in a society that fails. These costs need to be internalized and transferred to Sustainable development activities.

Some may raise the question of such a step making progressive firms less competitive. In such a case we need to introduce barriers against socially and environmentally irresponsible practices.

This conversation also carries into the domain of tax reform. **Ecological tax reform-** Shift the tax base from value added (labor and capital) to “that to which value is added,” namely resource extraction and depletion, along with pollution. Such a tax shift prices the scarce but previously un-priced contribution of nature. Value added to natural resources by labor and capital is something we want to encourage, so stop taxing it. Depletion and pollution are things we want to discourage, so tax them. Ecological tax reform can be an alternative or a supplement to cap-auction-trade systems.

Such a reframing will in itself will encourage practices that promote SD, rather than the contrary. This we believe also translates to the larger issue of viewing the economy as a subset of the environment rather than the other way around

Lastly we welcome the E-RISC (Ecological Risk Integration to Sovereign Credit) initiative lead by UNEP, which integrates a country’s ecological footprint into its sovereign credit rating. The same should be extended to specific, projects and private players.