

Buan-Mhisean na hÉireann chuig na Náisiún Aontaithe agus
Eagraíoch idirnáisúnta eile | An Ghinéiv
Permanent Mission of Ireland to the United Nations and
Other International Organisations | Geneva
Mission Permanente de l'Irlande auprès de l'Office des Nations Unies et
des autres organisations internationales | Genève



TPN/096/2024

The Permanent Mission of Ireland to the United Nations and other International Organisations in Geneva presents its compliments to the Office of the High Commissioner for Human Rights and has the honour to refer to communication AL IRL 1/2024.

With reference to the aforementioned communication, enclosed please find a response from Tánaiste and Minister for Foreign Affairs, Mr Micheál Martin T.D.

The Permanent Mission of Ireland to the United Nations and other International Organisations in Geneva avails itself of this opportunity to renew to the Office of the High Commissioner for Human Rights the assurances of its highest consideration.

Geneva, 18 October 2024



Office of the High Commissioner for Human Rights

Rue de Moillebeau 58, Case Postale 339, 1211 Genève 19
T +41 22 919 1950 | @IrelandUNGeneva | GenevaPMUN@dfa.ie
www.dfa.ie/pmun/geneva



18 October 2024

To: The Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights

Re: Communication from Special Procedures; ref. AL IRL 1/2024

Dear Independent Expert Waris,

I would like to thank you for sharing the information you have received concerning Ireland's grant based climate financing, and the questions you have posed in this regard.

In addressing your Communication, I wish to stress that Ireland is proactively engaged at the United Nations on a range of initiatives and processes relevant to your mandate. Ireland works to progress the Financing for Development (FFD) agenda through various initiatives and frameworks aimed at aligning financial flows with sustainable development goals. Ireland has also been advocating for International Financial Institution (IFI) reform at the UN.

Through our engagement in the Sustainable Development Goals Political Declaration negotiations in 2023, and the Pact for the Future processes that concluded this year, Ireland has consistently emphasized the need for a reformed international financial architecture that can better address global economic challenges and support sustainable development. Ireland's commitment is reflected in its support for multilateralism and collective action, recognizing that a stable, rules-based international order is essential for achieving the SDGs.

By promoting reforms in Multilateral Development Banks (MDBs) and other IFIs, Ireland has underscored the importance of enhancing the effectiveness and responsiveness of these institutions. Additionally, Ireland has been vocal about the necessity of international cooperation in financial governance to ensure that global financial systems are more inclusive and equitable.

Furthermore, Ireland is committed to the implementation of the UN Guiding Principles on Business and Human Rights (UNGPs), the global standard for promoting adherence to human rights in business activities. In order to operationalise the 'Protect, Respect and Remedy' framework of the UNGPs, Ireland is currently developing a Second National Plan on Business and Human Rights. The new National Plan intends to build on the work of Ireland's first National Plan on Business and Human Rights, while reflecting significant international developments in this space, including the transposition of the new EU Corporate Sustainability Due Diligence Directive (CSDDD).

In regard to the specific questions you have raised in your Communication, I have responded to each in turn below. I and my officials stand ready to provide any further detail or clarification that may be required.

Question 1: Could you please provide any additional information and / or comment(s) you may have on the concerns that have been mentioned above?

There is no agreement within the UN Framework Convention on Climate Change (UNFCCC) process on a per-country division of collective climate finance goals. It is unclear what methodology has been used to estimate that Ireland's fair share of the existing \$100 billion adaptation and mitigation climate finance target is approximately €500 million per year. In recent years, Ireland has steadily increased our annual international climate-related expenditure. At COP26, held in Glasgow in November 2021, the Taoiseach announced that Ireland would provide at least €225 million in climate finance per year to developing countries by 2025. The target represents a more than doubling of our climate finance from 2020 levels. Ireland's *International Climate Finance Roadmap*, published in 2022, sets out how we will achieve this target and we remain on track to deliver on this ambition on time in 2025. As with every developed country's climate finance contributions, OECD verification is retroactive and hence publication of official numbers is usually 12-15 months after the end of the calendar year in question, in this respect, no cumulative shortfall has developed.

The overall commitment to the Fund for Responding to Loss and Damage (FRLD) is much higher than indicated in your letter. At COP28 661.39 million USD was announced in pledges to the FRLD, including Ireland's 25 million euro pledge. Since then, there have been subsequent pledges from the Government of Austria (10 million EUR) and the Government of the Republic of Korea (7 million USD). Full details of these pledges can be found in the [Report of the Board of the Fund for responding to loss and damage \(unfccc.int\)](https://unfccc.int) to COP29.

Ireland is committed to the rapid operationalisation of the FRLD to support the most vulnerable countries to respond to the impacts of climate change. We recognise that the financial need for Loss and Damage response is far greater than the current amount pledged to the Fund and other Loss and Damage supports.

The Government of Ireland is committed to the target agreed at the UN to provide 0.7% of Gross National Income (GNI) in Official Development Assistance (ODA), and this commitment is reaffirmed in *A Better World*, Ireland's International Development Policy, and in the Programme for Government. Ireland has consistently increased the allocations to ODA over recent years. In 2023, Ireland reported €2.6 billion in ODA, which represents 0.67% of Gross National Income.

Ireland believes that the UN has an important role to play in the area of promoting fair and inclusive international tax co-operation, in particular with regard to capacity building, domestic resource mobilisation and the achievement of sustainable development goals (SDGs). However, it is important to recall that Ireland, along with its EU partners and many other participants strongly believe that the UN's role in international tax cooperation and reform should be coordinated with- and complementary to- the work of other international tax fora.

Each of these issues is dealt with more specifically in the additional responses which follow.

Question 2; I would like to hear your Excellency's Government view on the reason why its climate finance target is below its fair share in line with the Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC) and climate justice principles. Is your Excellency's Government envisaging to increasing the target to align with its fair share of the New Collective Quantified Goal?

The Common but Differentiated Responsibilities and Respective Capabilities (CBDR–RC) is a principle within the UNFCCC, formalised in 1992, that acknowledges the different capabilities and differing responsibilities of individual countries in addressing climate change. As noted above, there is no internationally agreed upon corresponding per-country division of climate finance contributions within the UNFCCC.

Ireland remains committed to working with all countries to agree a new and ambitious New Collective Quantified Goal (NCQG) at COP29. The NCQG on climate finance must reflect a global effort to mobilise climate finance from a broad range of contributors. It therefore should take into account the needs of developing countries and consider funding from all sources; public and private, innovative and philanthropic, domestic and international. While public finance is and will remain a key element of global climate finance, particularly for adaptation and Loss and Damage funding to vulnerable countries, other more innovative sources of finance must also be identified in order to support the most vulnerable countries in mitigating and building resilience against climate change.

Question 3: Could you please indicate if your Excellency's Government is considering to increase its annual contribution to the loss and damage fund which has an overall commitment of 70 million?

Loss and Damage is a key priority for Ireland's climate diplomacy and climate finance, building on long-standing work on climate adaptation in Least Developed Countries (LDCs) and Small Island Developing States (SIDS). Action in this area is in line with Ireland's policy for international development, *A Better World*, which seeks to support the furthest behind first.

At COP28, Ireland welcomed the historic decision on the new Fund and funding arrangements for responding to Loss and Damage, which we were involved in creating, via our membership of the Transitional Committee for Loss and Damage. Ireland is now a member of the Board of the Fund for responding to Loss and Damage (FRLD).

As noted above, the overall commitment to the FRLD is much higher than 70 million. At COP28, Ireland pledged €25 million to the FRLD. This was the second highest per capita pledge after the UAE. Ireland's €25 million contribution to the Fund will be provided in the form of grant finance, as is the case with the vast majority of Ireland's climate finance. Following the fulfilment of this pledge, Ireland will examine opportunities for providing increased support to the FRLD.

We want to see the Fund deliver as soon as possible, particularly for the most vulnerable countries and communities, including SIDS and LDCs. We are also working to ensure that the Fund takes a country-driven, human rights based approach that considers the different needs and capacities of vulnerable communities. These principles will be built in to the Fund's operational model.

The Board has committed to approving a resource mobilisation strategy by the end of 2025 to scale up the fund from the initial contributions. Once the Fund is up and running, and disbursing finance, we envision that contributions to the Fund will increase. The Board welcomes contributions from a broad contributor base, recognising countries' respective capacities to offer financial support.

In addition to the €25 million FRLD pledge, Ireland also supports responses to Loss and Damage via a range of channels. Ireland is, for example, one of the founding members of the

Central Emergency Response Fund (CERF) Climate Action Account to which we provided €5 million this year for adaptation support in humanitarian situations. In 2023, we provided €10 million to Global Shield for insurance and social protection support to developing countries, and at COP26, Ireland pledged €5 million to the Santiago Network that provides technical assistance to countries on Loss and Damage, and has recently become operational and able to receive contributions. We are now in the process of organising delivery of our pledge. More broadly, all of Ireland's bilateral climate finance is grant-based.

Question 4: Could you please provide information on whether your Excellency's Government will meet its commitment to providing climate finance under the UNFCCC agreements alongside its commitment and delivering 0.7% of GNI towards ODA.

As set out in the response above, Ireland has committed to provide at least €225 million in climate finance per year to developing countries by 2025. This target represents a more than doubling of our climate finance from 2020 levels. Ireland remains on track to deliver on this commitment. Current estimates show that Ireland provided at least €156 million in international climate finance in 2023. A finalised figure will be available later this year. The current estimate for Ireland's climate finance spend in 2024 stands at €181 million.

The Government of Ireland is committed to the target agreed at the UN to provide 0.7% of Gross National Income (GNI) in Official Development Assistance (ODA), and this commitment is reaffirmed in *A Better World*, and in the Programme for Government. Ireland has consistently increased the allocations to ODA over recent years. €810 million was allocated to the development cooperation budget in the Department of Foreign Affairs for 2025, up €35 million on 2024 and the highest ever allocation by Government.

In 2023, Ireland reported €2.6 billion in ODA, which represents 0.67% of Gross National Income. Excluding Ukrainian refugee costs, Ireland's ODA for 2023 was €1.47 billion, or 0.38% of GNI. It is important to note that none of the funding for Ukrainian refugees in Ireland has been sourced from the original Budget allocations for ODA. These costs are reported as ODA retrospectively, and funding was not taken from the ODA allocations for 2022 or 2023. This will remain the case in 2024.

In the targeting of its ODA, Ireland focuses on addressing the needs of countries and communities who are furthest behind, with a particular emphasis on those in the world's poorest or climate-exposed regions. In 2022, Ireland allocated 0.11% of its GNI to LDCs, the highest share of gross bilateral ODA to LDCs in 2022 among DAC members.

Question 5 and Question 6:

I would be curious to hear about the steps that the Government of your Excellency is taking to ensure its economic strategy does not conflict with or undermine Ireland's human rights obligations and development goals.

Could you please provide information on the measures taken by the Government of your Excellency to ensure that its economic policymaking complies with human rights standards, including through conducting human rights assessments of economic policies and positions before, during and after the policymaking process? In addition, could you please indicate what resources are assigned to this endeavour, and how staff and institutions are trained to undertake these assessments?

Section 42 of the *Irish Human Rights and Equality Commission Act 2014*¹ sets out Ireland’s Public Sector Equality and Human Rights Duty obligations. The Department of Finance’s Statement of Strategy 2023-2025 embeds these obligations through its ongoing development of budget and policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights.

In line with this and broader *Programme for Government* commitments, the Department of Finance continues to enhance the incorporation of equality and well-being considerations into its policy formulation. In 2022, the Department introduced a new budgetary publication – the *Beyond GDP: Quality of Life Assessment*² – which assesses how policy is contributing to wider societal goals, in particular enhancing equality, sustainability, and overall quality of life. The report specifically includes distributional analysis of the impact of the tax and welfare changes introduced in the budget, as well as analysis from a well-being, equality budgeting and green budgeting perspective to complement the more traditional macro-fiscal analysis. It is a living document, with content being enhanced and expanded each year.

In addition, the Department continues to enhance its work on integrating equality considerations into the development and evaluation of tax policy. For instance, through tax expenditure evaluations and analysis in the annual *Tax Strategy Group* papers.

The work of the Department on equality, sustainability, and well-being is echoed across several Government departments, as well as independent research bodies. A recent publication by the OECD – *Addressing Inequality in Budgeting: Lessons from Recent Country Experience*³ – provides insight into Ireland’s work to integrate equality budgeting and distributional impact assessment into the policy-making process to enhance economic, social and environmental objectives. Ireland is one of eight OECD countries considered in the report.

Question 7: I would be grateful to receive information on the reasons for which the Government of your Excellency is not supporting a UN based process on tax reform that addresses the needs of low-income countries, especially in light of the expected spillover, including whether it will be willing to support the development of an effective UN Tax Convention

Ireland believes that the UN has an important role to play in the area of promoting fair and inclusive international tax co-operation, in particular with regard to capacity building, domestic resource mobilisation and the achievement of sustainable development goals (SDGs).

As a strong proponent of multilateralism, Ireland will be an active participant at any such global forum and has engaged at all substantive sessions to date. However, it is important to recall that Ireland, along with its EU partners and many other participants strongly believe that the UN’s role in international tax cooperation and reform should be coordinated with- and complementary to- the work of other international tax fora.

Ireland and many others remain fully committed to the work of the OECD/G20 Inclusive Framework on BEPS (Base Erosion and Profit Shifting) and the two-pillar solution to address

¹ Available at: <https://www.irishstatutebook.ie/eli/2014/act/25/enacted/en/html>

² Available at: <https://www.gov.ie/en/publication/7097e-budget-2024-beyond-gdp-quality-of-life-assessment/>

³ Available at: https://www.oecd.org/en/publications/addressing-inequality-in-budgeting_ea80d61d-en.html

the tax challenges associated with the digitalisation of the economy. It is important that work at the UN does not detract from that work which is nearing completion.

Ireland believes that for a UN Framework Convention to function effectively and sustainably there is a need for broad consensus of support and for that to be achieved it is important to build on progress achieved in other fora. Ireland remains committed to engaging constructively in the work towards developing the Framework Convention and its protocols next year in a way that ensures the broadest possible support, coverage and effective implementation.

Question 8: I would like to hear if your Excellency's Government is committed to conducting a new, comprehensive and independent analysis of the impacts of its tax policies on the economies of developing countries.

Ireland is a small open economy with a stable rate of corporation tax, which is now set at a minimum effective rate of 15% for all large Multinational Enterprises. In addition, we have a strong track record when it comes to tackling aggressive tax planning.

A spillover analysis was previously conducted in 2015. The statistical analysis identified very limited flows of capital and trade between Ireland and developing countries, indicating a small likelihood of spillovers from the Irish tax system.

On foot of the publication of the report the Government has taken a number of steps to address issues raised, including completing the renegotiation of two specific tax treaties, and has used the analysis to inform Ireland's future interactions with developing countries.

Ireland has also since taken further significant actions to prevent the use of aggressive arrangements and ensure the tax code is in line with international standards. In that regard, Ireland has fully completed transposition of the EU Anti-Tax Avoidance Directives and introduced legislation for BEPS measures. Most recently, in Finance (No.2) Act 2023, Ireland transposed the EU Minimum Tax Directive to implement Pillar two of the OECD agreement.

Ireland also published its Tax Treaty Policy statement in 2022; the statement directly addresses policy for treaties with developing countries. The statement contains a commitment to not approach any least developed country, as defined by the UN, in relation to opening discussions on treaties and where Ireland is approached, a commitment is made to carry out a spillover analysis to ensure that benefits are likely to accrue to that partner prior to agreeing to any such treaty. Where Ireland agrees to commence negotiations there is a commitment to fully consider the preferences of the partner country regarding source taxation.

We note the recommendations of the UN Committee on Economic, Social and Cultural Rights in a February 2024 hearing to conduct an independent and comprehensive assessment of the impacts of our tax policy on the economies of developing countries and report on findings in its next periodic report. This issue remains under review, and will be addressed, as appropriate, within the deadlines set out by the Committee.

Question 9: Could you please provide information on the actions your Excellency's government is taking to address climate-harming flows through Ireland's FDI, including if and how it will go beyond the EU regulation in this area?

We believe it is critical to engage with private sector actors and institutions on the SDGs and the Paris Agreement, and acknowledge the important role they have to play in filling the SDG and climate financing gap. As identified in the previous point, we note the recommendations of the UN Committee on Economic, Social and Cultural Rights to conduct an independent and comprehensive assessment of the impacts of our tax policy on the economies of developing countries.

Thank you for the clarification from your office that the specific EU regulation you refer to here is **Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union**. The regulation's purpose is to provide a coordination framework for Member States and the Commission on incoming foreign direct investment affecting security and public order. A majority of Member States operate an FDI screening mechanism, with Ireland expected to commence ours in the coming months. However, this screening is for investments that may impact on security and public order within the State and/or the EU. It is hard to see a link between this regulation and investments that might potentially be "climate harming" but do not also have a potential impact on security and public order.

I would be happy to continue to engage on this with you to get further clarity.

Question 10: Please provide information on the steps the Government of your Excellency has taken to ensure that its support to the PRGT is not pushing poorer countries into more debt

Ireland has been a strong supporter of the work of the Poverty Reduction and Growth Trust (PRGT) and in total has provided circa €49 million in subsidy resources to the PRGT to date, including a standalone subsidy contribution of €24 million in 2023. It is the Fund's main vehicle for providing balance of payments support and concessional financing (currently at zero interest rates) to low-income countries (LICs). It offers interest-free loans and supports well-designed economic programs that help catalyse additional financing from donors, development institutions, and the private sector. PRGT-supported programs also play a central role in creating the environment for successful debt resolution in distressed countries.

Ireland welcomes the holistic review of charges and surcharge policies that affect the total cost of borrowing from the IMF and the review of the PRGT facilities and financing both of which are ongoing. We acknowledge the need for some adjustments in view of the increased cost of the Fund's borrowing due to the rise in global interest rates, and we support the work of the Fund as they review possible lending terms changes of the PRGT. We continue to work constructively with international partners in determining appropriate outcomes under both reviews.

Ireland recognises that the successive shocks that have hit the global economy in recent years continue to be felt. While there are positive developments, such as a possible inflection point reached in the global interest rate cycle as markets expect rates to begin falling, many debtor countries continue to experience challenges which is concerning.

Ireland is a strong supporter of the work of multilateral organisations, including the United Nations, the International Monetary Fund and the World Bank. Ireland is also a member of the Paris Club, where we work constructively as part of a group of creditor countries to find coordinated appropriate solutions to debt sustainability challenges in borrowing countries in a timely manner.

Question 11: I would be grateful to indicate if the government of your Excellency supports reform of the IFIs and debt cancellation and if yes, how it will act on them?

In relation to Multilateral Development Bank reform, Ireland shares the view that post-Covid and in the face of multiple overlapping crises, MDBs needed to refocus their vision and missions and re-orient their operational and financial models accordingly. However, we continue to take the position that any reform must be consistent with goals that support the poorest and most vulnerable and that any changes should not dilute the focus on extreme poverty and reaching the furthest behind.

We commend and support the progress MDBs have made in respect of the G20 Capital Adequacy Framework recommendations, as well as the work undertaken to re-orientate their strategies and operational approaches to maximise the use of their existing resources through innovative approaches to bolstering its financial capacity and model. Though still in implementation, the reform process has borne fruit. These reforms will deliver bigger, better more impactful institutions, rendering them much more fit to address the increasingly complex and intertwined development challenges.

In line with existing practice, MDBs should continue to be excluded from debt treatment. However, where possible, MDBs should provide additional net positive flows to continue supporting vulnerable countries with concessional financing. Ireland also supports the work international financial institutions undertake to address vulnerable countries' financing constraints and reduce the risk of falling into debt distress.

Yours sincerely,



Micheál Martin TD
Tánaiste
Minister for Foreign Affairs