



SUMMARY AND BRIEF

ADDIS ABABA ACTION AGENDA OF THE THIRD INTERNATIONAL

CONFERENCE ON FINANCING FOR DEVELOPMENT

Country level implementation of 3rd financing for development (FFD3) outcome document

Overview

The outcome of the 3rd International summit on Financing For Development (FDD3) ¹ covers some vital areas of concern to the g7+. These include strengthening domestic resource mobilisation, tackling illicit flows, supporting contract negotiations, increasing private sector engagement, reducing the costs of remittance transfers, increasing access to climate finance and supporting South-South learning.

There are also several references to recognising the particular needs of conflict and post conflict situations, including one paragraph that focuses exclusively on these situations² and another that explicitly references **the g7+ and the New Deal**³.

There are relatively few specific commitments in the FFD3 outcome document. One of the implementation challenges is how to turn the general language into actionable plans at country level. The demand for country level implementation of the FFD3 outcome was reiterated at the g7+ side event during the subject summit. This brief highlights three specific issues countries may want to follow up on with local development partners. These cover all the paragraphs of the FFD outcome document that explicitly refer to the special needs of conflict and post conflict situations.

1) Domestic Public Resources⁴

The g7+ position paper for FFD started by highlighting the critical importance of domestic resource mobilisation for g7+ countries. The FFD3 outcome document includes commitments to *“strengthen international cooperation to support efforts to build capacity in developing countries including through enhanced ODA”*⁵, *“redouble efforts to substantially reduce illicit financial flows”*⁶ and to ***“make sure that all companies, including multinationals, pay taxes to the Governments of countries***

¹ http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/69/313

² FFD Outcome document, Paragraph 67

³ FFD Outcome document, Paragraph 8

⁴ For more background on these issues see g7+ FFD Briefing Notes 1 and 2: Increasing domestic resource mobilisation and Domestic natural resource mobilisation

⁵ FFD Outcome document, Paragraph 22

⁶ FFD Outcome document, Paragraph 23

where economic activity occurs and value is created, in accordance with national and international laws and policies⁷. “The document also includes a commitment to all LDCs of “financial and technical support for project preparation and contract negotiation”⁸

In the margins of FFD3 the Addis Tax Initiative was also launched⁹. Thirty countries including Sierra Leone and Liberia (both g7+ members) signed up to this. Participating providers of international support will collectively double their technical cooperation and partner countries restate their commitment to step up domestic resource mobilisation.

Examples of specific possible points that countries may want to raise with development partners

- a) *Which local development partners are best placed to strengthen domestic revenue mobilisation? Would participation in the Addis Tax Initiative facilitate increased support?*
- b) *How can local development partners best support major contract negotiations through localized TA? In particular how can we best develop measures of contract management and resource rent capture that focus on maximising income to national actors?*
- c) *How can we increase the proportion of aid funded projects that pay normal taxes and custom duties and is it possible to revise the tax exemption treaties signed in this regard?*
- d) *Can local development partners support the national tax authority to benefit immediately from automatic exchange of information (AEOI) from OECD countries?*
- e) *What actions will bilateral development partner countries take to tackle global tax evasion and tax avoidance and increase global financial transparency?*

2) Domestic and International Private business and finance¹⁰

The g7+ position paper for FFD3 highlighted the need to better develop and engage the private sector. The FFD outcome document includes many commitments relating to this such as “enhanced financial and technical support” for infrastructure, “promoting access to credit for micro, small and medium sized enterprises”¹¹, “work to ensure no remittance corridor requires charges higher than 5% by 2030”¹² “new financial instruments to incentivize foreign direct investment....particularly... countries in conflict and post conflict situations” and “innovative mechanisms”¹³

Examples of specific possible points that countries may want to raise with development partners

- a) *What changes will multilateral and international financial institutions make to ensure their instruments are best placed to catalyse private sector investment and mitigate non-commercial risks (e.g. through support for investment insurance, support for PPPs)?*
- b) *How can the capacity and size of the domestic private sector be developed to be able to compete both locally and internationally, including in competition for contracts under international public finance.*
- c) *How can development partners increase spending on local economy through procuring local*

⁷ FFD Outcome document, Paragraph 23

⁸ FFD Outcome document, paragraph 46

⁹ <http://www.taxcompact.net/activities-events/addis-tax-initiative.html>

¹⁰ For more background on these issues see g7+ FFD Briefing Note 3: The private sector in conflict-affected states

¹¹ FFD Outcome document, paragraph 16

¹² FFD Outcome document, paragraph 40

¹³ FFD Outcome document, paragraph 45

goods and services to boost demand and encourage domestic investors?

- d) *What additional resources will development partners be bringing to bear to support infrastructure projects (Roads, Highways, Dams and Ports) and lever in private investment?*
- e) *If remittance charges are more than 5%, what are local development partners planning to do to reduce charges to this level?*

3) International development cooperation and capacity building

The key paragraph in the FFD outcome document on conflict affected states includes the commitment to “step up our efforts to assist countries in accessing financing for peacebuilding and development in the post-conflict context”. It also notes that “We recognize the need for aid to be delivered efficiently through simplified mechanisms, increased strengthening and use of country systems, as well as strengthening of the capacity of local and national institutions as a priority in conflict-affected and post-conflict States while stressing the importance of country ownership and leadership in both peacebuilding and development”¹⁴

One of clearest and newest commitments in the FFD outcome document is to provide “social protection systems and measures for all, including floors” and explore “funding modalities to mobilise additional resources”¹⁵. The FFD3 outcome document also highlights the need to “step up” funding on climate change¹⁶, to ensure “coherence of development and humanitarian finance”¹⁷ and to scale up and enhance support in “conflict and post conflict situations” for education¹⁸ and capacity building¹⁹.

Examples of specific possible points that countries may want to raise with development partners

- a) How do local development partners envisage the commitment to step up efforts to assist countries to access financing will be achieved?
- b) What changes will local development partners take to strengthen and increase use of country systems and allow for more discretionary assistance?
- c) How do local development partners envisage the commitment to providing social protection systems and measures for all will be taken forward, including what is the prospect for additional resources?
- d) Given very limited flows of climate change finance what changes at the Conference of Parties meeting in Paris in December would make a difference at country level? Would the resilience benefits of the large scale public work programmes provided in Ethiopia be applicable in post conflict environment?
- e) How can development and humanitarian financial flows be made more coherent and what are the issues that need to be raised at the World Humanitarian Summit in May 2016?

¹⁴ FFD Outcome document, Paragraph 67

¹⁵ FFD Outcome document, Paragraph 12

¹⁶ FFD Outcome document, Paragraph 60

¹⁷ FFD Outcome document, Paragraph 66

¹⁸ FFD Outcome document, Paragraph 78

¹⁹ FFD Outcome document, Paragraph 115